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# ***Daily Report***

## ***Supplement***

DISTRIBUTION STATEMENT A

Approved for public release;  
Distribution Unlimited

# **East Europe**

19980515 038

JPRS-EER-93-007-S  
Thursday  
11 February 1993

**DTIC QUALITY INSPECTED 2**

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL INFORMATION SERVICE  
SPRINGFIELD, VA 22161

# East Europe SUPPLEMENT

JPRS-EER-93-007-S

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11 February 1993

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**\* Aleksandrov's Book on Secret Services Praised**  
93BA0566A Sofia ZORA in Bulgarian 12 Jan 93 p 8

[Review by Venko Antonov of the book by Defense Minister Valentin Aleksandrov, *Bulgariya i Taynata Voyna [Bulgaria and the Secret War]* (1992, Sv. Kliment Ohridski University Press): "Shadows in the Twilight"]

[Text] Such is perhaps the description that could be given to the characters in the book *Bulgaria and the Secret War*, by Valentin Aleksandrov. The author has undertaken specifically the task of shedding some light on the activities of the notorious knights of the cloak and dagger, always concealed in the twilight of their secret and dangerous work.

Let me immediately point out that this is a unique sort of book. It describes little-known or even totally unknown pages of the secret war waged by the secret services from the turn of the century to the end of 1945.

The target of Valentin Aleksandrov's study, conducted expertly and with scrupulous accuracy, is the secret services of Austria-Hungary and Germany, and of the Bulgarian secret services, which as a result of a coincidence of state interests frequently have worked jointly or, to put it more accurately, along the same line.

One is impressed by the deep knowledge of the subject, expressed not only by "unraveling" specific documentation, archives, and some secret texts, but also the use of data provided by direct participants in the events. That is what makes Valentin Aleksandrov's work particularly valuable. It could be considered also a kind of handbook of structures and organizations of military intelligence services in Bulgaria, Austria-Hungary, and Germany.

The study made by Valentin Aleksandrov also has the very important quality of helping us to abandon fallacies and prejudices, quite frequently grossly manipulative, to the effect that military intelligence in a bourgeois country such as Bulgaria was inevitably dirty and, just imagine, conducted in the service of obscurantist and revanchist forces. The emerging picture turns out to be quite different.

Above and first of all, the Bulgarian military intelligence services have served the national interests, interests that were severely damaged by the unfair and predatory Versailles Treaty system. Bulgaria lost 10 percent of its territory and 8 percent of its population. Contributions and reparations with which we were burdened reached astronomical figures. It was natural that under those circumstances ways and means would be sought to revise the treaties, the more so since Bulgaria was also deprived of a regular army. The situation was further worsened by the fact that we lived under the open pressure of countries hostile to us, whose objectives and intentions had to be determined promptly if for no other reason than that of taking preventive measures within the limits of the possible.

Such was precisely the job of the Bulgarian military intelligence services, as indicated with impartial conviction in the book.

Although this was not his specific objective, in a certain sense Valentin Aleksandrov rehabilitates the Bulgarian officer corps, which had been abused and misrepresented for quite some time. For example, thanks to this accurate and objective study we realize the strict qualities on the basis of which cadets were chosen. Between 180 and 190 youngsters had to compete for a single opening. Grades were the only guarantee of advancement. "Seniority based on grades," the author points out, "remained prevalent until the end of their military service.... It is thus that in the czarist army the officers were accurately classified, from the first to the last, in a single column, and this order became a fetish."

Briefly, the modern army has something to borrow from the traditions of the country.

The study made by Valentin Aleksandrov makes it clear that highly intellectually gifted officers, people displaying a broad general culture and speaking several European languages, were recruited for intelligence work. Virtually without exception, they were above all patriots, who put Bulgaria's national interests above all else.

The main impression that remains after reading this exceptionally professional work by Valentin Aleksandrov may be reduced to the following: Despite the nature of cabinets and regimes, Bulgaria firmly and consistently defended its national interests. The valorous Bulgarian officers—the knights not of the cloak and dagger but of duty and honor—were in the front ranks of the "silent" war.

I have no doubt that the book *Bulgaria and the Secret War* will contribute to the correction of many errors and of unfair and tendentious evaluations and, finally, will enrich our views on the secret twilight area—intelligence—in which incredible clashes and dramas took place.

This, however, is a different topic.

**[Box, p 8]**

Valentin Aleksandrov is a law graduate of Sofia University and of international relations of the Austrian Diplomatic Academy. He is a candidate of philosophical sciences. He is the author of articles and studies published in authoritative Bulgarian, Austrian, and German periodicals. He is the author of the following books: *Evrogrupata na NATO [The NATO Eurogroup]* (1983); *Evropeyskata Otrana—Granitsi na Ilyuziite [European Defense—The Limits of Illusions]* (1987); *Zapadnogermanskite Tayni Sluzhbi—Organizatsiya i Politichesko Vliyanie [The West German Secret Services—Organization and Political Influence]* (1988); and *Atanas Burov—Banker, Politik, Diplomat [Atanas Burov—Banker, Politician, Diplomat]* (1992).

In March 1991 he became senior adviser to the National Security Commission of the Grand National Assembly. That same year he became adviser to the minister of defense on issues of military policy and national security. Since 25 December 1991 he has held the position of state secretary and head of the Military-Political Bloc of the Ministry of Defense.

On 30 December 1992 the National Assembly approved him as Minister of Defense of the Republic of Bulgaria.

**\* Czech Part in CSFR's Disintegration Considered**

93CH0268A Prague PRITOMNOST in Czech No 9, 1992 pp 4-5

[Article by Milan Znoj: "The Ideology of Czech Innocence"]

[Text] Like a phoenix rising from the ashes, on New Year's Eve of this year a Czech state will be born. The demise of the old Czechoslovak state began to take shape as early as the June elections after the political representation of the individual republics, as the representatives of political power are now modestly called, agreed after their first mutual consultations to the fact that they would ensure the "legitimate demise of the federation." That is, that the demise of the federation should take place "wisely," "orderly," "without hysteria," "without tricks or unforeseen and uncontrolled steps," so that it would take place within the framework of certain agreed-upon rules.

Thank God for that. It otherwise would not be simple and easy for the demise of the Czechoslovak federation to take place without pitfalls and without wayward gambits in this chess game of divorce in which the Czech side, as they expressed it themselves at the beginning, drew the black pieces.

The necessity for the disappearance of the old state and the legitimacy of the creation of a new one is not, of course, the determining factor for the decent nature (or constitutionality) of this metamorphosis, but arises only from the right of nations to self-determination. Otherwise stated, if the existing federation is dissolved in a legitimate manner and new states are born, this means that the existing form of the state, the political form of the coexistence of the Czechs and the Slovaks in a common state, ceased to provide for their social, cultural, national, and political self-actualization.

The Czechs did not suffer any trauma of self-actualization. Their attempts at self-actualization were abundantly satisfied by the creation of the Czechoslovak Republic. The Czechs' trauma came only with the communist usurpation of the state (the fascist one came from outside, but of course the nightmare of the Second Republic can vex them), including the fact that it is not entirely clear when it actually dawned on the Czechs that they should discover that it was really a matter of a usurpation. In contrast to this, the self-actualization of the Slovaks stumbled over more rocky paths. Finally, without the Czechs properly noticing it, it came to a subconscious association of the communist usurpation of the state with their unsatisfied national aspirations. The release of this energy after the November revolution of the Czech public was not understood even by the Czech politicians to a degree where they could control it "wisely," "without hysteria," etc.

The weak point of the Czechoslovak state right from its origin was the unresolved Slovak question (along with the position of our Germans). The current demise of the federation does not, of course, prove that the origin of the Czechoslovak Republic which came about after the

breakup of the Austro-Hungarian Empire was, as is sometimes written, a mistake of the Versailles Treaties. The existence of Czechoslovakia up until now (despite all difficulties and the collapse of our mutual coexistence) showed that the two nations are the closest of our neighbors and that both are dependent on mutual cooperation within that limited Central European space. Masaryk's conviction that the World War did not have to have only a destructive outcome in the sense of overthrowing centuries-old thrones, but that its end could also be a step forward on the road to a democratic Europe was not just a pious wish. Czechoslovakia accepted this democratic ethos, strove to implement it, and its existence was tied to that ideal. The fact that in subsequent straits Czechoslovakia was drawn and quartered and that it did not hold its ground in the later European wars does not prove the error of its existence, but only reveals the malignant face of Europe at that time. It is gratifying in this to suppose that Czechoslovakia alone was to save Europe from its deviations, from fascism (if we had fought) or from communism (if we had not submitted to the communists). The democratic existence of Czechoslovakia was tied to the power of democratic Europe. A democratic Czechoslovakia could exist and could fight only insofar as this bond existed.

The irony of history is that Czechoslovakia is disappearing right now when it would be possible, with the end of communism, to restore this broken and lost democratic bond. Of course, this time its disappearance is entirely our own fault. Masaryk's vision of a democratic Europe which gives the self-determination of the Czechs a positive meaning is not destroyed by this; it is possible to connect it again now as well with the idea of the Czech state which has been so sought after. The Czech state has only one *raison d'être* and that is to contribute to the creation of a democratic Europe. This task does not at all mean that we will demonstrate how Europe should truly be reborn (Kosik's "third Munich", a remnant of that Czech messianism growing out of the feeling of being small), nor does it mean just that we will enter into the European and Atlantic organizations as soon as possible. We cannot pack up and leave for Europe. However, we can contribute to expanding the boundaries of a democratic Europe so that Central Europe becomes a democratic region and we become an integrated part of Europe. Of course, this also includes how we show ourselves to be capable of creating relations with the Slovak state.

But why is it now coming to the breakup of Czechoslovakia when the country has survived both its traumas of fascism and communism? Taken generally, we can consider it a consequence of not being able to control the social energy release by the demise of communism. The breakup of Czechoslovakia appears to be a result of the fact that both the Czech and the Slovak sides were controlled by the domain of uncompromising ideology and likewise politics failed as an institution to resolve the conflicts.

On the part of the Slovaks, this is mainly ideology of a social or national hue. People say that the Slovaks have been and are, in distinction from the Czechs, a "subjugated nation" or an "impoverished people," and such. On the

part of the Czechs, in contrast to this, it seems as if nationalism never existed. At first glance, it looks like the Czechs are approaching this divorce from the Slovaks without any nationalist emotions, just matter-of-factly and with deliberation. I think that this attitude does not stem just from the fact that national self-determination is, at the given moment, something obvious for the Czechs. The reason is rather a traditional Czech self-definition. The Czechs consider themselves to be sober and devoid of nationalist passions; the heroism of sacrifice or messianism of hopes are not considered to be their typical characteristics. At first glance, it is not at all evident that these attitudes can conceal their own specific type of nationalist emotions; but there is a Czech nationalism, however hard it remains to understand it. One of its admirable masks is the ideology of Czech innocence which also played its role in the demise of the Czechoslovak federation.

The metaphor of the black chess pieces mentioned above has a very limited application in comparison with this ideology. It could be applied only where emphasis was placed on the deliberate nature of the actions of the Czech representation. Such an idea of the Czech mentality is a fitting one, but it has one basic deficiency. If it were to be taken literally, a slightly suspicious Czech who was true to type could begin to fear whether this says that we have lagged behind in something.

The central point in the ideology of Czech innocence is the thesis that "the Slovaks broke up the federation with their nationalism" and "we only went along with the Slovaks." This thesis can smoothly make the transition from the struggle for a joint state to pushing for its demise and can offer the public at large a plausibility of attitudes. The same people who signed the petition for a joint state of the Czechs and the Slovaks, rejected any kind of disengagement of it, and demonstrated mightily in its support can then after half a year again demonstrate in the same location, but this time sign a petition for an independent Czech Republic, while both petitions claim that they have the support of Vaclav Havel. Vaclav Havel is in an even more difficult situation because he must suffer the entire shift in values which is provided to other citizens by the ideology of Czech innocence as the continuity of Havel's own actions.

The ideology of Czech innocence has, of course, a number of other dialectic dichotomies and important shades of values. Let us note several contexts in which they operate....

#### **Wounded Vanity**

The thesis that "the Slovaks broke up the federation with their nationalism" makes it possible for the Czechs to take a condescending attitude toward the entire affair, for after all who would want to obstruct the "natural emancipation efforts of the Slovak nation." The comment on this point that as unitarian proponents and federalists we obviously obstructed these efforts is usually dealt with in this ideology by rejecting the past attitude and shifting the responsibility for it to the past political representation in some

kind of universal expansion. The dominant responsibility of the former politicians is caused by their "bewildered tiptoeing around the hot potato," that is, the famous "Paperpushers & Co." and other agreements/disagreements which always ended up with the words "we finally reached an agreement" so that they could soon show that the agreement was just a very short-lived one and that another round and further agreements are needed. Accompanied by the specter of Czech weakness and under its impression, it is possible to unload all unpleasant questions. The determining impression which the ideology of our innocence thus suggests is then not that we have perhaps obstructed the Slovaks in something, but that we made concessions to them and made fools of ourselves. Shock over this Czech weakness can then appear as a political thesis which sounds federalist, but at the same time paradoxically removes the inhibitions to an antifederalist attitude and can in its services even provide nationalist arguments, all this within a framework of a single movement of thought.

A particular connection of the weakness motive with an energetic federalist attitude was also formulated by Vaclav Havel in his "Summer Reflections" when he stated that in the spring of 1990 he should not have beat around the bush with some of the rightwingers and that the Federal Assembly should likewise have approved the change in the federation's title to the Czechoslovak Republic without the hyphen. According to him, this would have prevented the later pointless tug-of-war about the hyphen, the seal, and the name of the "authentic federation" sought after.

#### **"Civic Nationalism"**

In this manner federalism could have become an expression of Czech nationalism. This time, of course, without it being hidden behind some form of Czechoslovakism. That chance has already evaporated and became in reality a barren offshoot which does not now find any great response among the citizenry. Paradoxically the idea of a universal citizenship provided shelter to Czech nationalism, as its state unitarianism was rejected mainly by the ODA [Civic Democratic Alliance]. Jan Kalvoda would hardly have persistently tread on the Slovak's china (entirely contrary to his reputation for being able to walk on water) if there had not from the beginning been any success and it was just this unitarian argument of the ODA which best fit the wounded Czech vanity and undoubtedly has its share in the ODA crossing the 5 percent boundary in the elections for the Czech parliament. It is no surprise therefore that this antinationalist aspect of his civic creed became a direct political symbol for Czech nationalism. Its truly uncompromising unitarianism did not accept even Havel's good will when he began to speak of an "authentic federation" and could not accept as its own even Klaus's talk of a "functional federation." Daniel Kroupa could decisively state that the federation is being dissolved because the federal constitution of 1968 exists at all (of course, he is right in the fact that if the federation had never been formed, it could not be dissolved), a constitution with the already compromised "harmful" principle of protection against majority rule. The fateful error,

according to Kroupa, consisted of the fact that the law on jurisdictions was approved, which particularly weakened the federation. Pavel Bratinka in no way goes any further when he warns of the "federative features" of the new constitution and rejects any kind of an idea of federation as "harmful." The purely instrumental arguments of Miroslav Macek (ODS [Civic Democratic Party]) can then freely attach themselves to this idea, as they do not dabble with some nuances of the civic principle, but uncompromisingly state that the federation is an aching tooth which we have to pull in a hurry.

### **Slovakia as an Economic Burden**

Nationalism and wounded vanity can also be propped up by economic motivations. Do the calm waters of Czech innocence not hide in themselves an economic calculation? Do economic motives not lead to the breakup of the federation?

According to a recent (October 1992) survey by the Institute for the Study of Public Opinion, a full 17 percent of the citizens of the Czech Republic are convinced that the breakup of the federation will accelerate an economic upswing and 47 percent feel that it will lead to a worse situation only temporarily. It is apparent that Slovakia is perceived to be an economic burden, regardless of the fact that, as far as the economic transformation is concerned, in the Czech lands there is generally a prevalence of more optimistic expectations than in Slovakia and it is therefore not possible to say what portion of the optimism on the part of the Czechs stems from the promises of the right-wing parties before the elections ("we have already bottomed out and are bouncing back") and what portion one can attribute to the expected loss of Slovakia. The common idea is obviously that getting rid of our Slovak burden is the only way that we will increase our chances for a successful transformation of the postcommunist society into a capitalist society.

The hope that "it will go better for us without the Slovaks" is the undertone of the ideology of Czech innocence and it assuages many of the wounds of the divorce agreement. Even so, this idea does not have to take on the primitive form of calculations of the type "at least we can stop paying for them." The economic argument actually became one of the main reasons why after the elections the ODS began to push for the dissolution of the federation and rejected every Slovak feeler on some kind of quiet alliance. For the ODS, the first commandment is a radical economic transformation. And everything else—national and political question, the state legal composition—is subordinate to that.

When Vaclav Klaus headed up the ODS delegation that went to Brno for the first meeting with Vladimir Meciar and the HZDS [Movement for a Democratic Slovakia] delegation, it is possible that he still felt that perhaps he could still make some kind of a trade. For accepting the model of economic transformation, he offered within the framework of this trade-off a quiet tolerance of Slovak nationalism. Who knows, perhaps the ODS intended to offer to let Slovakia play just the Slovak portion of the

Czechoslovak national anthem, to let the Slovak regiments have their specially designated uniforms, and such. That could have perhaps appeased the Slovak politicians, but only in a case where they could not see or hear. In actuality it had to be a matter of a Slovak constitution. The trade inevitably fell through.

### **Slovakia as a Left-Wing Danger**

The thesis of "a state without this burden" can also be formulated along the lines of a political meaning. This type of argument appeared even before the elections. Jan Ruml in his speech of 17 Nov 1991 at the Narodni trida appealed directly for civil disobedience (while in the position of deputy federal minister of the interior!) in the interests of preserving the federation (see LN [LIDOVE NOVINY] 22 Nov 91). Face-to-face with a "leftist putsch" in Slovakia, he saw no other possibility to be true to the November revolution and to preserve the federation. In doing so, of course, he rejected the legitimacy of all the state institutions, particularly the Slovak ones, but in the final analysis all of them because all (except for some friends, but they are not institutions) were deaf to this threat.

After the elections, this entire line of argument was simply and uncompromisingly summarized by the chief of the coalition's KDS [Christian Democratic Party] Vaclav Benda (LN 1 Sep 92). According to him, the results of the elections brought us face-to-face with a decision as to whether we want to restore socialism in a joint state or have democratic development in an independent Czech Republic. Obviously, "none of the players in the anticommunist revolution could consent to this first alternative." In order to justify the democratic nature of the entire line of argument, Benda reminds us that Slovakia is economically weaker, politically more backward, and has an insignificant democratic tradition. And it is just this democratic tradition of the Czech Republic that forces us, Benda deduces, to get rid of the Slovak burden. If it were to be put in the words of the gospel according to St. Matthew, "If your left hand offends you, then cut it off." (In the gospel, of course, it says "right hand," but some left-handed monk obviously changed the words when copying it and I therefore propose the more suitable change to "left hand.") It remains as a kind of aside that by doing this Benda of course also chops off the Slovak democrats' hands, writes them off, and pushes them off to the edge of events.

The coexistence of two close nations in one state will end with the popping of the New Year's Eve champagne corks. Slovak nationalism has usurped Slovak thinking and the ideology of innocence has again enlivened Czech thinking. If we study these ideologies, it turns out as if everything was moving on an inclined plane which drags all events down with them by their own natural weight (and in the case of the breakup of the federation there was actually talk as well of a self-perpetuating movement). But any such historical necessity can be rationalized by ideology only in hindsight. Afterwards the question will continue to hang in the air: Was there any chance of reaching an agreement on the conditions for an economic transformation and at the same time satisfying the Slovak (but also the Czech)

national aspirations, in the positive sense and while avoiding the capability of self-reflexes on the part of both the Czechs and the Slovaks?

Nonetheless, it happened and now we will build two states. One way or the other, the Czech and the Slovak nations will remain the closest in the Central European area, joined at the very least by a joint fate of their most modern history. It will depend squarely on the politicians that they do not lose sight of that experience.

#### \* Slovaks Criticize Slovakia in Czech Press

##### \* SMENA Dismissals

93CH0293A Prague LIDOVE NOVINY in Slovak  
7 Jan 93 p 3

[Article by Slovak journalist Stefan Hrib: "The First Change—SMENA Has Fallen"]

[Text] The first serious step taken by the government of the new Slovak state was to fire the director and the editor in chief of the SMENA daily. After the government had barred investments of foreign capital in that daily and transformed it into a corporation in which the state holds 100 percent of the stock; after Prime Minister Meciar accused its editorial board of hostility toward his government; and finally, after SMENA's management was charged (without any evidence) with financial machinations, the government applied its final solution because the dismissal of that daily's administration signifies a political change in its orientation.

This situation will test the position of Slovakia's journalism. The only normal standpoint here is solidarity with the former SMENA. However, any normal standpoint is followed by a vengeful normalization process—loss of one's job, position, or career. An abnormal standpoint—where we silently watch how our colleagues are fired—is like our own signature on the normalization sentence. At the same time, the reaction of PRAVDA, PRACA, NARODNA OBRODA, or NOVY CAS will send a message to the government whether they, too, may be shut down if the government considers it necessary.

Vladimir Meciar is proceeding with great precision. He has already terminated the federal television and radio broadcast (even at the cost of the breakup of the state), replaced the administration of Slovak Television (even at the cost of illegally dismissing its director M. Kleis), and finally, he seized the last bastion of critical ideas among our mass media—SMENA—as well. The experience of Serbia—where President Slobodan Milosevic, even after he had provoked a war, was freely reelected precisely because of the unison mass media—has reassured the Slovak prime minister. He who controls information today will tomorrow hold power in his hands.

"Slovakia is ours, and it will be successful," said the prime minister in the first moments of the independent Slovak Republic. His takeover of SMENA fulfilled the first part of that sentence but removed the second part even further from reality.

#### \* Slovak TV

93CH0293B Prague LIDOVE NOVINY in Slovak  
8 Jan 93 p 8

[Article by member of Slovak opposition Martin Porubjak: "A Giant Step Toward Isolation—Barriers to the Flow of Information Rising Along the Morava River"]

[Text] I spent the last Czechoslovak New Year's Eve with my friends in the countryside west of Trnava. We said good-bye to our common Republic in the style of Tatarka [late Slovak writer] under the indifferent eyes of a blinking universe. Now it is already history.

However, in that village—unlike in our homes in Bratislava—one can watch Czech television broadcast. The first day in the divided old country we viewed the "Current Events" program on State TV Channel 1 and "News" on Czech Television Channel 1. "Current Events" provided an extensive coverage of the previous night and of the New Year's Day in Slovakia as well as reports from London, Paris, Brussels, Berlin, and Rome but not a single report from Prague or from the Czech Republic. There were no shots, reports, or commentaries from the Vladislav Hall, from the St. Vitus Cathedral or from Václavské Square. "Newscast" on Czech TV Channel 1 offered extensive reports from the Square of the Slovak National Uprising in Bratislava (live), interviews of the TV commentator Bubilková with Slovak politicians as they were leaving Hotel Borik, and reports about Prime Minister Meciar's and Minister Knazko's news conferences. Slovak language was heard on Czech television but not one Czech word could be heard on Slovak television.

On 1 January 1993, West Europe was removing its traditional boundaries and turning them into "green borders." In our country we are erecting customs houses and restoring boundary markers along the dividing line between Moravia and Slovakia. It is obvious that tollgates will come next but probably no barbed wire, at least not for the time being.

It is sad that on the very first day barriers to the flow of information appeared together with the newly created dividing lines. Thus far, they are on the Slovak side while customs huts were erected on the Czech side. One state controls the flow of materials, the other the flow of information.

On 2 January Slovak television tried to make up for what it had missed—it was only then that Slovak viewers could get a glimpse of the meeting held the day before in the Vladislav Hall and see Uhde and Klaus opening their mouths although they could not be heard because of the voice-over by the Slovak commentator who summarized the nice color shots of the neatly dressed politicians—that was our characteristic method of idiosyncratic dubbing.

Well, we returned with our friends from the hill country to Bratislava and now we are getting used to seeing on Slovak screens the voiceless mouths and silent faces of the Czech politicians. We are getting used to a broadcast that dubs Uhde and Klaus just as it dubs Major and Kohl, while the

Czech viewers can listen to Meciar's undubbed thunderous cries in the Square of the Slovak National Uprising at midnight.

The division of the media is proceeding with a remarkable determination and with an even more remarkable shortsightedness, which is a sign that nothing good will come in the future—of course, provided that we see nothing good in Slovakia's increasingly thorough isolation from the Czech lands, which evidently is the objective and intent of the emerging barriers to the flow of information.

### \* Background of Second Havel Presidency

93CH0341A Paris LE MONDE in French

28 Jan 93 p 1

[Unattributed editorial: "The Second President Havel"]

[Text] Should he run again or not? Vaclav Havel hesitated for a long time, and some of his friends are still asking themselves that question. The circumstances surrounding his election on Tuesday, 26 January, as head of the brand-new Czech Republic are regrettably very different from those prevailing at the time of his moving and triumphant entry three years earlier into Prague Castle—the pause in the "velvet revolution" that he had masterminded.

Back then, Vaclav Havel, a former dissident and political prisoner, had achieved the feat of getting himself elected by an assembly of Communist deputies who, totally confused by their rout, voted meekly for the providential man adulated by the masses. Havel became president of a country—Czechoslovakia—whose democratic and industrial past gave reason to hope that it would recover from communism more quickly and less painfully than its neighbors.

On Tuesday morning, a few hours before his election as the head of a country that is now one-third smaller, Vaclav Havel still did not know whether he would attract enough votes in his favor—and it turned out that he was just barely elected. The government coalition had given him its half-hearted support—in private, Prime Minister Vaclav Klaus and his closest friends barely disguise their poor opinion of Havel's ideas and his past as a dissident.

If Klaus, who is a pragmatic man, finally decided to put Vaclav Havel back into the Castle, it was because the Czechs still consider Havel a historic figure ensuring the continuity of Czechoslovak tradition despite his declining popularity in the polls and because he has a good image abroad. But the new Czech president had to abandon his basic demands regarding presidential duties when the new Constitution was being drawn up: Klaus, who won the legislative elections last June, is not the kind of man who shares power, and he is the strong man in the Czech Republic.

The deplorable spectacle caused on Tuesday by the provocations on the part of extreme right-wing deputies on the rostrum and in the corridors of the Czech Parliament reflects another disturbing phenomenon: the breakup of

the new state's social base. As was true elsewhere, the consensus marking the period immediately following the end of communism quickly collapsed, and the difficulties of transition have turned out to be greater than expected. Moreover, the Czechs have suffered the shock of the breakup of their country, and emerging from that crippled society are trends which Vaclav Havel can only oppose: extremism, a spirit of revenge, xenophobia, and so on.

Havel could have gone quietly back to his theater, divided his time between the friends he has always had in Bohemia and the intellectuals in Europe, among whom his prestige is not tarnished, and—who knows?—awaited the favorable moment to return more gloriously as the head of his country. From love of honors, certainly, but perhaps also out of a sense of duty, he has run the risk of staying where he is. If his moral strength is intact, his fellow countrymen will certainly have great need of it.

### \* Communist Era Use of Bugging Devices Revealed

93CH0270A Prague MLADA FRONTA DNES  
(supplement) in Czech 12 Dec 92 p 16

[Interview with Jan Frolík, director of archives, Federal Ministry of Interior, by Karel Pacner; place and date not given: "State Security: Forty Years of Bugging"]

[Text] [Frolík] From the time of the First Republic we know of one effort by our military intelligence service to penetrate an embassy, in this case German, and to install a listening device. But the first technical means of bugging became really available to us only after the war. It was Karel Smisek, later to become a general, who began forming a team of experts at the Ministry of Interior; he had served in the Red Army and graduated from a NKVD [People's Commissariat of Internal Affairs] school. Right after the war his job was to assure communications between Soviet resident agents in our country and the Moscow center.

[Pacner] The main targets of bugging were undoubtedly the embassies of Western countries....

[Frolík] From February 1948 on Western embassies here were hermetically sealed both inside and out. Therefore the Ministry of the Interior sought to install bugging devices in them. In his report dated 14 January 1952 Antonín Prchal, then the deputy minister of interior, regards it as a success that "we have managed to bring certain capitalist embassies under control."

[Pacner] That surely was not an easy thing to do....

[Frolík] First of all it was necessary to find out the habits of all employees and guests of the embassy, identify the security installations inside the embassy. Then too a specialist on locks was consulted. Based on all this information a night was chosen for the operation. Several hours prior to the action StB [State Security] agents from the "tail squad" began to follow all embassy employees; usually it involved several hundred agents including reserve units. As soon as the last employee left the building a group



of technicians sneaked in. Installation of the devices and masking the wall was then a routine matter.

[Pacner] What if one of the employees wanted to return?

[Frolík] The operation had to be stopped, technicians brought everything back to its original condition, locked up, and disappeared. On occasion they had to interrupt their work for banal reasons. For instance in one case when a few younger diplomats decided to have a good time and wanted to take some girls to private quarters. They remembered that they had two whiskey bottles in the bar in the office and returned to fetch them. Some time in 1962-64 such interruption did not give a StB agent sufficient time to leave and he had to spend an entire day on a window ledge. No one noticed him. We have proof showing that he received an award of 10,000 korunas.

[Pacner] Bugs were installed also in the apartments of people suspected of hostile views....

[Frolík] Certainly. Apparently most of the bugging was done in 1952. At that time the security agency was receiving on an average some 21,000 recorded conversations per month. According to a 1954 report 684 bugging operations were carried out in 1948-54 at which 2,500 microphones were planted. This did not include permanent listening in prisons. In 1954 there were 1,150 active microphones in private apartments and 10 hotels for foreigners in Prague. In hotels photo and surveillance cameras were also used.

[Pacner] Can you give details?

[Frolík] It seems that this idea originated from Kamil Pixa, chief of counterintelligence and later director of Short Film. Some time during 1950-52 he came up with the idea that their services should recruit some of the more attractive prostitutes from better Prague hotels and have them target certain embassy employees. They would then be photographed and filmed in selected apartments. Ninety such actions were undertaken in 1952. The whole project ended with a big debacle. Even when everything went well, the victims whom StB agents armed with photos showing them in intimate situations sought to enlist, refused to cooperate. Reportedly they said, go ahead and publish it! Promptly the boys packed up and left. As the records show, the photos and films ultimately served only as pornography for deputy minister Prchal and the Soviet advisers.

[Pacner] What were the bugging devices?

[Frolík] In the beginning each apparatus was relatively bulky. Moreover it required 10-15 single cells to run it. It was usually installed in a wall or chiseled into furniture. Afterward everything was restored to its original appearance. I found a report that the operatives on one occasion forgot to tell the technicians that the French military attache had left for vacation. And so for two weeks around the clock they listened to silence. On another occasion Gen. Smisek complained bitterly: "I mention as a very serious case the installed listening in five rooms of the villa at Bubenecka 7 in the period of 1950-51 for the Third Section"—meaning most probably that some "internal

enemy" lived there—"while a partial dismantling and termination of the outlet were carried out, six microphones have remained on the premises. According to information received the villa is presently occupied by a senior official of the party and government."

As the bugging devices evolved the emphasis was on miniaturization. Records dating from 1956 for the first time report a directive for the Interior Ministry's research institute to develop a wireless transmission of the recordings. These devices first came into use some time in the mid-1960's. Wired transmission has the advantage of being operational for 10-12 years, and moreover is difficult to detect in the midst of other equipment. Radio transmission had to be received in close proximity—in an adjoining building or in the street in some camouflaged delivery van. On the other hand, its dismantling did not require removal of meters of wire.

[Pacner] It is said that StB bugged virtually any foreigner.

[Frolík] One could put it that way. The bugging targeted not only embassies but also commercial missions, airlines, travel bureaus and apartments of the so-called main enemies, that is, Americans, the British, French and in the 1970's also West Germans. Later it was China, Albania, and the Arab countries which also became objects of StB interest. But one should rather point out that it was primarily interest of the Soviet KGB—it was for them that our intelligence and counterintelligence did most of their work.

Over the past 20 years these operations underwent qualitative improvement. At the same time defense against them also improved considerably. Penetrating the territory especially of rich countries possessing the means for both offense and defense no longer was a simple thing. All these devices are indeed costly. Of course in the 1970's and 1980's we saw a return to the 1950's—the StB crowd devoting substantial means and forces including bugging to the surveillance of domestic opposition.

[Pacner] Later the StB was given still other tasks....

[Frolík] Yes, another job was stealing codes. This meant breaking the safe. It was an extensive operation. At first it needed getting an expert to it so he could study the lock and see if he can handle it. On a next visit they opened the safe, took out the code, photocopied it and put it back. In the 1970's and 1980's the copying was of the main parts of the coding machines rather than of the codes themselves. These actions were undertaken exclusively on Soviet orders.

[Pacner] Have the StB types succeeded in such break-ins when the Western embassies were continuously improving the security of their premises?

[Frolík] In some cases they did. They even succeeded in installing a camera in one embassy. And today these countries are grateful when we tell them how it really was, even if it took place decades ago.

[Pacner] Do you have knowledge of how successful employees of the Western embassies have been in removing bugging devices?

[Frolik] Yes, they did it very well. Detection of the devices in their diplomatic missions was carried out by their specialists in electronic counterespionage. They did not pay much attention to apartments where secret bugs also were installed. Such search is after all quite costly.

[Pacner] Do you have transcripts of bugged conversations in the Interior Ministry archives?

[Frolik] The tapes have been lost, all conversations were transcribed. But 98 percent of all the talk is fluff, only 2 percent could be used. But as has already been stated by Minister Cermak, in the archive we found that StB officials carried out a timely destruction of all Twelfth Section records which would have led us to all locations where they had installed technical listening devices.

[Pacner] How important was the bugging?

[Frolik] I must emphasize that StB obtained the bulk of its information from its agents. Technical means and surveillance took only a second and third place. Also, censorship of domestic and foreign correspondence brought interesting results. But of course agents are cheaper and their possibilities are always greater than listening. At the same time much routine information was also gained from tapping telephones, radio messages, later faxes, and this from all diplomatic missions.

[Pacner] Now that we travel to the West we see that one can buy many devices for electronic espionage and counterespionage in the stores. Do you believe that these devices are superannuated from the secret services of the major states which already have other and better equipment?

[Frolik] This I don't know. But it is no secret that the U.S., British, and perhaps also other special services upgrade their equipment to a new, higher generation approximately every five years. Besides, there are several Western firms specializing in the development and production of information gathering and coding technology for poorer countries lacking the capacity to do it on their own. These firms turn out products of excellent quality and it is not much of a problem to copy them, albeit at the expense of lower quality. But the principle is that if a country entrusts an order in this area to a firm, it is only after it had checked it out thoroughly and in every respect. If there is the slightest ground for suspicion of any sort, the firm loses the business.

**\* Livia Klaus Talks About Herself, Her Family**  
93CH0258A Prague ZAPISNIK in Czech 20 Nov 92  
pp 7-9

[Interview with Livia Klaus, wife of Czech Republic prime minister, by Zdena Turcicova; place and date not given: "Mrs. Livia's Role in Life"]

[Text] *Mrs. Klausova is now instinctively addressed by the majority of people without her title from her advanced*

*education. This brings out the title of Mrs. even more. This is not at all disrespectful. It is only thus that the shift in her roles in life is expressed. She herself calls it being the wife of someone. I started one of my questions with the statement, "You are in control of your current situation...." and she immediately jumped in with, "How can you know that?" I certainly do not know that, but despite this she did not convince me otherwise....*

### Background Support

[Klausova] In my childhood I had the best of all worlds because I was one of five children. So it was mainly with my siblings that I could do everything. Of the adult members of the family, I naturally remember my mother the most. My father died when I was 15 years old and the youngest child was two years old. And so particularly as I get older I value more and more what Momma was capable of doing for us.

My current support group is several female colleagues whom I have known for years and who are not only colleagues, because when you go through a break in continuity like I have you can feel that some people begin to behave differently toward you. I am not saying worse! Just differently. And all at once it is surprising for you yourself to find those few people who have remained the same. They are the right ones and that is the support. It is a particularly difficult question. What is the support group? I guess someone on whom you can depend.

It is certainly also where you feel good. I, for example, like to garden, but now I can find only a minimum amount of time because I am stuck in my little place as the wife of someone.

### The Wife of Someone

[Klausova] It is a terribly difficult role and if I had a choice, I would not have chosen it. I can indeed learn on my own self-awareness and on the work in which I have proven myself somewhat. That is, of course, only one thing. The other is reality. Now I actually am considering whether it is possible to merge the two. At first you try and from outside it looks very simple. You buy some clothes and you go to the receptions to talk with someone interesting. But in the meantime the housework is piling up and at work I do not want to neglect things; even under normal conditions this is enough for any woman and you have in addition another task, to always smile and be pleasant. That is simply a great added obligation.... I am not complaining, but I have some hesitation about whether it is at all possible to keep up all these roles. I feel that I cannot indefinitely do everything that is required properly and I am a person who does things thoroughly and completely. The economics institute in which I work is currently reorganizing and I am just finishing one task and so I am thinking over right now whether I should go with my colleagues or remain off to the side for a while, maybe a year.

### **The Children of Someone**

[Klausova] Each person handles change in their own way. Our boys worked it out so that they refuse to show up anywhere with their father. That is the way that they exercise control over the situation. The problem is, of course, for us adults, their parents. We have so little time that it is a holiday for us to get everyone together at once.

### **What I Feel**

[Klausova] People say that I am an optimist. Perhaps at the core, but it does not show up in everything.... Certainly, I feel fears and dread. Anyone who is following the current developments has them in the corners of their souls. Fears and dread that "it" might turn out worse, but then what is worse? That they cope with "it" and in good humor.... But what is this good humor? We are facing an important step in the legal composition of our state, a divorce. And we know that even between two people it is hardly possible to speak of a happy divorce. So it is a matter of it being a decent one and as far as possible amicable. At this moment I am truly optimistic and I believe that we will succeed in this. It is now a delicate period and it would take only a short step or even half a step to one side or the other.... We are moving within very tight boundaries and one or the other partner should not do anything which could not be taken back.

By partners, I mean all the people, not just the political representation.

### **My Private Nooks**

[Klausova] A simple answer is that I do not have any. And at times it depresses me a lot.

### **The Pleasant and the Unpleasant Aspects**

[Klausova] People are both, pleasant and unpleasant. Among the pleasant aspects is meeting a lot of interesting people. It is, of course, unpleasant that it is unfortunately

not you that your partners choose to communicate with.... I am shyer than my husband, so it takes more work for me. In practice it generally works out so that I am less so with the people on whom I would gladly spend more time and attention and they understand that. Paradoxically I spend more time with people who want this or that.... Among the pleasant aspects is the fact that reflections from the person who stands alongside me also fall on me. But I feel all spiteful acts more. They do not presume so much with my husband. The anonymous letters are bad. The authors of those letters know well that I am the more vulnerable one and they know how to hit their mark....

### **Protection**

[Klausova] You know they follow me around because of it! For example, there are plenty of people who feel that the posts of minister are distributed based on who has intensive contacts with the wife of the prime minister. Some have sent their representatives and some came to report in themselves that they are the perfect ones. My son has named this from a children's game, the king sends his troops. In that game, the king first sends his troops and then there is the point the king sends his troops in place of himself. I have never complied with this and anyone who knows my husband knows that any intercession would not work. If a person knows everything that he claims to, he would never choose that route. Those who are not sure that they meet all the requirements chose it.

### **Partnership**

[Klausova] I cooperated closely with my spouse in the election campaigning, for several reasons. Mainly, I like people. I stood alongside my husband as a real partner, not just a decoration. The third reason was perhaps the most important. He is great with people and my husband has often said and still says that sometimes he needs to gather some energy and therefore goes walking among the people. This is twice as true for me. When you see how many people support him, I have said and still say in deadly seriousness, "I will stick with this Klaus a little longer!"

**\* Status of Market Economy Laws, Decrees, Goals**

*93CH0325A Budapest NEPSZABADSAG in Hungarian 31 Dec 92 pp 8-9*

[Status report issued on 31 December 1992 by Ivan Szabo, minister of industry and commerce: "1992: Toward a Market Economy"]

[Text] Dear Reader:

Business organizations prepare a year's-end inventory and balance.

The inventory includes all the assets that the business organization gained during the year.

The balance provides information on the efficiency and success of managing the available assets.

In closing the year 1992, I want to present the inventory of the Ministry of Industry and Commerce to the public. Everyone—from the National Assembly through the Administration and the involved local governments to the trade unions, from the entrepreneurs to the workers, managers, and every citizen of our country—is to be credited for the fact that it was possible to implement its contents or to reach the phase of being implemented.

I will leave it up to the reader to evaluate the balance, requesting, regardless of his or her judgment, continued help in our work of developing Hungarian industry and a cultured commerce and of bringing prosperity to Hungary.

Dr. Ivan Szabo, Minister of Industry and Commerce

Budapest, 31 December 1992

**I. Laws, Decrees**

**Statute 1992/LIII: On the Private Management and Use of Assets Permanently Remaining Under State Ownership**

The statute regulates the assets permanently remaining under state ownership by separating the state organizations' (ministries) functions of ownership and the functions of state administration. It creates the State Asset Management Corporation with authority of ownership. The bill was presented by the Ministry of Justice, and its concept and wording was prepared by a work team under the supervision of the Ministry of Industry and Commerce (IKM). When it took effect, the statute abrogated the owner's rights of the IKM, making it a department for preparing strategies and economic controls in the areas of industry, commerce, and tourism.

**Bill on Mining**

Terminating the earlier state monopoly in mining, creating a legal basis for mining that is adapted to market economy and based on private ventures, defining the special mining conditions for licensing, and legally regulating the tasks of

the government and the authorities as related to mining. (General debate in the National Assembly closed, debate on details in progress.)

**Bill on Security Stockpiling of Imported Crude Oil and Crude Oil Products**

Changing the system of stockpiling oil in such a way that the obligation of importers be attuned to the volume of trade and expenses of storage be defined jointly. This would be a prerequisite for terminating state monopoly and for providing stockpiles of oil necessary for the country's stable supply. (Submitted to the National Assembly.)

**Bill on the Tourist Fund**

The Tourist Fund would be the main source of central subsidies for activities in tourism. Annual appropriations from the national budget were the only earlier source. According to the bill, that would be supplemented by special subsidies based on the level of activities in tourism. The bill would bring the justifications of use up to date and would put subsidies for tasks of public purpose ahead of general appropriations. (Submitted to the National Assembly, under discussion.)

**Bill on the Market Intervention Fund**

In order to avoid disruptions in the marketplace, it would be a monetary fund that could be mobilized immediately, and would be the main source of strategic stockpiling by the state. (Submitted to the National Assembly, under discussion.)

**Bill on Responsibility for Products**

Taken through a motion by representatives and a bill from the law on consumer protection (under preparation with the IKM's collaboration) in order to make the producer liable for damages caused by flaws in products. (The National Assembly decided to put it on its agenda.)

**Bill on Electric Power and Bill on Gas Power**

Creating market conditions sensibly is necessary for the production and distribution of both electric and gas energy and, at the same time, strategic public interests connected with the energy supply must also be considered. On the other hand, because energy is typically a monopoly, it would be necessary to legally regulate the relationship between the supplier and the consumer and to protect consumer interests in case market conditions are created. (The first draft complete, under study by experts.)

**Government Orders Based on the IKM's Recommendations**

Government Order 67/1992/(IV.14) on the Authority and Responsibilities of the Minister of Industry and Commerce

The consideration for the changed conditions in government work is the basis for determining the main directions of the administrative reform in the supervision of industry and commerce.

**Government Order 68/1992/(IV.14) on the Amendment of Certain Government Orders**

Making process regulations in the course of energy import and export licensing, introducing antidumping tariffs, and issuing resolutions that contain requirements to uniformly carry out government responsibility regarding the protection of the marketplace and industry.

**Government Order 145/1992/(XI.4.) on Paying Miners' Coal Allowance in Cash**

It is a given right of miners to draw coal allowances after retirement. The expenses of the coal allowances will be taken over from the mining companies by the state in order to facilitate the privatization of mines.

**Government Order 146/1992 on Democratizing the Process of Decisionmaking in Connection With Power Plants That Greatly Affect the Environment**

The state licensing of power plants is in good order. The population of an area where the construction of such a plant is planned may have a voice in determining the facts and conditions of implementation. This order lays down the regulations for asserting public opinion.

**Intergovernmental Agreements on Tourism With:**

Mexico

India (being announced)

**Orders of the Minister of Industry and Commerce**

Issuance of 13 ministerial orders for determining the price of electric power, certain solid fuels, suppliers of central heat, natural gas for industrial and communal purposes, natural gas distributors, electric power for private households, and heat energy supplied by Hungarian Electric Corp. through power plants. (IKM orders 1, 4, 7, 8, 9, 10, 13, 14, 17, 19, 20, 21/1992.)

The purpose of this order package is to gradually reach world price structures.

**IKM order 2/1992 on travel arrangements and travel agency activities and IKM order 3/1992 on qualifying examinations for travel agents**

Public irritation with the burgeoning but unqualified mass of travel agencies was justified. This is what is regulated by this order by defining professional requirements.

**IKM order 22/1992 on the amendment of IPM [Ministry of Industry and Trade] order 11/1985 on public lighting**

It eliminates centralization which caused uniformity in public lighting, and places official tasks connected with public lighting under the authority of local governments (not including the safety licensing of electrical equipment.

**II. Concepts**

**The Government's Mid-Range Concept of Industrial Policy**

The concept analyzes the situation in industry. It builds on international and domestic economic prognoses. It expects

a 4- to 5-percent increase in the volume of production during the second half of the decade. The requirement of structural adaptation is a central element of development. Defining governmental means of aiding the development of branches that are capable of creating and maintaining comparative benefits. Providing information for Hungarian and foreign investors on industrial areas that are judged to have potential. (Submitted to the government after detailed professional and public debate and interportfolio reconciliation.)

**Policy of Technology**

It is part of the concept of industrial policy. It is very important for making research and development strategy. It defines professional and functional priorities, objectives, and means in research and development. It defines the areas of development in quality control and the necessary methods and institutions of standardization.

In connection with the professional areas of the policy of technology:

Government resolution on the restructuring of industrial research institutions. Industrial research institutions constitute a significant part of Hungarian intellectual assets and are bases of research and technical development. Under the present economic conditions, it was necessary to overview their situation with a onetime measure. The government established a Restructuring Committee to deal with the future of research institutions. A survey of 17 institutions of research and development has begun.

Government resolution on government actions needed in connection with the issue of quality. Establishing an interportfolio committee and surveying eight institutions of quality control.

**Hungary's Energy Policy**

It overviews Hungary's energy situation, the expected and necessary trends in development, with special attention to requirements of environmental protection. Laying the professional foundations for abolishing state monopoly on energy.

Following a detailed professional and public debate, the government approved it and submitted it to the National Assembly as information.

In connection with the objectives of the Hungarian energy policy:

Government resolution on the connection of Hungarian and Austrian power lines, information for the Hungarian Government on connecting Hungary's electric power system to the West European system. Eliminating unilateral dependence on imports directed toward the east, working out a concept for the necessary connections of systems and network development. Making an agreement on conducting a development (implementation, etc.) study, valued at about \$2.3 million, with several developed countries for the purpose of developing Hungary's energy management.

**The Privatization Strategy of the Ministry of Industry and Commerce**

The objective of privatization is to create interest, through real ownership, that is necessary for increasing the economy's capacity to produce income. It is a fundamental means of increasing efficiency. It overviews the tasks in forming business associations and in simultaneous restructuring (especially the elimination of large-enterprise monopolies in commerce, e.g., Budapest's Kozert Enterprise, MEH Trust, large construction enterprises, etc.). In order to avoid asset depreciation, it defines the tasks related to enterprise restructuring as tasks to precede privatization. It provides that preference must be given to those investors, both domestic and foreign, who invest in trades. Creating a professional background for money market investments. In the area of commerce, we operate a Commercial and Privatization Committee to avoid the negative processes that began during the time of spontaneous privatization. Decisions on the privatization of almost 7,000 stores were made by the end of 1992 on the basis of the 1990 preprivatization law.

The government's Economic Committee discussed it and submitted it to the government as information.

In order to rapidly develop a Hungarian national stratum of small and mid-size businesses, the ministry examined the tasks of privatization with employee participation in the areas of industry and commerce. Business units which

have 1. a good market, 2. relatively little need for supplementary capital, 3. tangible capital income in addition to wage income are the main areas of partial worker ownership. (High ministry officials discussed it and approved it as a guiding principle to be implemented during the course of privatization.)

**The New Concept of Developing Tourism**

To be added to traditional Hungarian values are: health tourism (our hot springs and methods of natural healing), congress/conference travel, cultural travel, and hobby and village travel as new priorities for development; facelift for Lake Balaton. Adapting to the changes in world tourism (increase in individual and decrease in group travel). Replacing the earlier central control of tourism with grass-root and regional management.

(Interportfolio reconciliation in progress.)

**III. New Tendencies in the Development of Hungarian Industry****Car Industry**

The developments, which began two to three years ago and which lay the foundation for Hungarian car manufacturing—an industrial branch which is emerging as an activating force—for our machine industrial culture as a whole—were completed by 1992.

#### **General Motors Hungary**

Opel Astra passenger car and engine factory in Szentgotthard. Opening: 1992. Cost of plant installation: 16.2 billion forints. Plant capacity: assembling 15,000 passenger cars and manufacturing 200,000 1,600-cubic-centimeter engines annually. Planned number of employees: 800.

#### **Hungarian Suzuki**

A plant that is suitable for the assembly of 60,000 Suzuki Swift passenger cars was built in Esztergom at a cost of 17.6 billion forints. Production began in the fall of 1992. Full capacity will be reached in 1996, with 1,100 employees.

#### **Ford Hungaria**

Installing the Szekesfehervar plant with equipment for the manufacture of 2 million ignition coils and 1.5 million fuel pumps; the value of the necessary investment was 6.6 billion forints. Production began in the summer of 1992. Full capacity will be reached in 1996, with 200 employees.

#### **Audi**

Negotiations began on installing a plant in Győr to daily manufacture parts and units for 1,000 engines; the necessary investment would amount to about 320 million German marks, and the plant would employ 200 persons.

#### **Elzett-Certa**

(Certa is a large Italian manufacturer of mass products.)

A development costing about 17 billion forints for manufacturing light air motors, air boxes, stainless steel beer barrels, auto parts and liquid filling equipment, in four phases, employing 500 persons in the last phase. The first two phases are in progress at an approximate value of 10 billion forints, to open at the end of 1992 and 1993, respectively.

#### **Kofem-Alcoa**

(Alcoa is a large U.S. aluminum industrial conglomerate.)

A joint venture with an Alcoa majority for a modern production line of products (valve batteries, etc.) that represents Kofem's traditional market share, with a five-year investment target of \$120 million, was created. It guarantees employment for Kofem's present 2,600 employees.

#### **Danubian Oil Refinery**

A plant for desulfurizing and sulfur separation by slight hydro-cracking, with a 1.7-million-metric-ton annual capacity, was opened. Total cost of the development was 6.2 billion forints. It is part of a huge environmental protection program dealing with fuels, which has helped, for instance, to reduce Hungary's atmospheric lead pollution from 800 tons in 1989 to 200 tons. All this indicates one of the main aspects of the Hungarian chemical industry's development.

**World Expo**

Following the legislation of the Expo law this year, organizing began which was necessary, 1. for the implementation of the Expo as a world event, and 2. for increasing the effect of the Expo as a multiplier that will spur the economy. The IKM is directly involved with the aspects of tourism and investment/construction.

**IV. Crisis Management****Government Resolution on the 1992 Industrial Policy and on Industrial Crisis Situations**

It involves large industrial companies affected by the boom crisis and large companies which—even though the have their markets—are facing liquidation problems resulting from the burdens they had to carry during the past 40 years.

Hungalu, Dunafer, Raba, Ikarus, Borsodchem, Nitrokemia, Nitrogen Works, Ganz Machine Factory, MGM, Taurus, BHG, Vilati, Pannonglas. The assets of these companies amount to about 130 billion forints, their annual sales amount to 153 billion forints, their indebtedness amounts to 55 billion forints, and they employ 70,000 persons.

**Government Resolution on the Restructuring of Coal Mining's Organization, Management, and Ownership Systems**

European-caliber restructuring of mining failed to take place in Hungary during the 1970's. It is necessary now to handle the build-down through governmental means—by slowing down the processes of decline and by keeping their pace within socially tolerable limits. Jobs in energy coal production are maintained by organizationally merging coal power plants and the connected mines (of the Matra Region, Pecs, and Ajka).

**Connecting:**

Government resolution on settling Dorog Coal Mining Company's debts through a state grant.

Government resolution on measures regarding supplementary employee earnings at the Mecsek coal mines.

Government resolution on the restructuring of the Mecsek coal mines.

Government resolution on the seasonal adjustments in coal production and marketing.

Government resolution on the situation in the human aspects of coal mining's restructuring.

Government resolution on DIMAG Corporation's financial situation and the necessary government actions.

The government appropriated a grant of 3.9 billion forints for the continued operation of DIMAG Corporation's production forces, i.e., for the employment of 6,500 persons (indirectly, for maintaining 10,000 jobs).

Government resolution on the financial situation of Ozd Metallurgical Works and its associations and the most pressing issues for solution.

At the IKM's initiative, the Employment Fund financed the interest on the liquid assets of Ozd Small-Section Rolling Mill Worker Ltd. This allowed the preservation of 600 jobs and an entire rolling culture. With the help of sources provided by the IKM, a concept of the so-called mini-steel mill was developed by Hatch, a Canadian firm.

Government resolution on settling Mecsek Ore Mining Company's state loan and a grant to the company payable from the 1992 national budget.

Appropriation of a 250-million-forint grant from the budget for settling the Mecsek uranium mine's environmental situation. Its recommendation to the National Assembly was to settle the company's state loan, and in October the National Assembly passed a resolution of approval.

Government resolution, followed by a National Assembly resolution, on rescheduling the payments of Paper Manufacturing Company's state loan. Resolving the company's financial stresses that were threatening liquidation.

Government resolution on temporary assistance to Hungarian pharmaceutical exports directed to the former Soviet Union.

A grant to avert crisis, in order not to allow the Hungarian pharmaceutical industry to lose its market because of the payment difficulties of the CIS [Commonwealth of Independent States] countries.

**Regional Crisis Management**

Government resolution on tasks to improve Nograd County's economic and social situation.

The program, prepared under the IKM's coordination, overviews the situation in the region and the reasons for economic tensions. Appropriation for production infrastructure (roads, water, etc.) is 500 million forints.

Gas program within the government's development program for Szabolcs-Szatmar-Bereg County, involving 150 townships.

Furthermore, the government participated in the preparation of crisis management programs for the Borsod and Bekes regions.

**Dealing With Environmental Crises**

Government resolution on the use of waste accumulators in Hungary.

Overview of the effects of the use (importing accumulators, hazardous waste that remains on site, potentially usable materials) and possibilities (neutralizing abroad, methods of domestic processing) of waste accumulators on the national economy. The affair of Gyongyosoros Waste Accumulator Processing was resumed, the construction of which (with 700 million forints available) had to be halted



because of local protest. A Dutch survey is under way to determine the plant's viability in terms of its effects on the environment.

The construction of the Rudabanya Regional Waste Incinerator has begun.

#### **Crisis Management Through Special Means**

Government resolution on the expected effects of the laws on bankruptcy proceedings and liquidation.

Bankruptcy and liquidation are economic means of financial rehabilitation and thus the general method of overcoming crisis situations is to conduct detailed surveys. The main conclusion is that, contrary to pessimistic prognoses, no wave of bankruptcies began in Hungary.

The portfolio's crisis management activity involved 60-70 percent of Hungarian industrial employees.

#### **V. The Means of Industrial and Commercial Development**

Government resolution on government tasks in developing ventures.

Designates the tasks in preparing an economic policy that would help the development of ventures, with the preparation of an action program due in 1993. It specifies the following as government tasks:

- coordination of a concept for venture development, designing of unified programs to help ventures
- a national information network for entrepreneurs for providing needed professional and market information
- creation of an organizational and operational framework for a national innovation advisory network for entrepreneurs
- overview, and supportive modifications, of statutes regarding the requirements for, and operation of, ventures
- personal and material requirements for ventures

#### **Government resolution on Japanese assistance for the development of small and mid-size companies**

Assistance, equivalent to 10 million forints, for the organization of a support industry for suppliers.

Special bidding for creating a suppliers' support industry for public-road vehicles, involving small and mid-size entrepreneurship.

#### **Overview of the Start Guarantee Fund's operation to date**

Overview at the ministerial level. Appropriations to date: 6 billion forints.

#### **Government resolution on the market development program, financed by the World Bank**

The World Bank opened low-interest long-term credit of \$100 million for the development of the techniques of commerce. The main objective is to cut red tape in, and

modernize relations between producer and consumer; to cut expenses, including shipping, inventory management, and storage; to increase the value of products through modernized services; to increase the competitiveness of Hungarian products both on the domestic and foreign markets; and to assist commercial banks in expanding their portfolios through investment financing in these new areas. A Logistics Development Center was established to assist the program.

#### **Expansion of international small and mid-size venture partner relations**

Building venture development organizations with the help of the U.S. Private Venture Development Center.

Hungarian small-regional venture program, supported by the Austrian OAR regional advisory firm.

Exchange program within Carl Duisberg Gesellschaft.

East-West Venture Development work team (ICECE group).

With our participation and/or initiative:

Government resolution on a credit guarantee institution.

The Hungarian entrepreneur, who has few assets, cannot provide banks with collateral for loans. The fund will remedy this.

Subsistence Credit offers one of the main opportunities for Hungarian entrepreneurs to participate in privatization. It increases assets attained through privatization and, while an earlier condition was that an enterprise (or part of an enterprise) to be privatized had to be under state management, now it suffices if the state merely has a majority share. The interest on this loan was decreased to 3 percent, its term of maturity was increased to 20 years and the grace period to three years.

#### **Protection of the Market and Industry**

A survey of special industrial and commercial markets, necessary for the government's antimonopoly policy.

Trusts and large enterprises, developed on the basis of territory and trade during the age of planned economy, limit and undermine the healthy functioning of the market by operating as monopolies. The method and pace of their elimination is important from the aspect of economic policy.

We initiated:

Modifications in customs tariffs in accordance with international practices, regarding certain chemical, machine, and clothing products. Introduced identical tariffs for import articles from both developing and developed countries.

A process of market protection for selected paper products (writing paper, printing paper, etching paper, etc.).

Eliminating the anomalies in paper duties.

Maintaining the duty-free status of raw materials imported for the purpose of wage labor.

A more efficient application of general quotas for consumer goods.

Temporary measures in customs policy regarding new industrial branches and areas affected by extensive restructuring.

We participate in the work of the Interportfolio Committee on Market Protection in order to achieve a more efficient application of market-protecting means.

We made a recommendation to the government to modify the responsibilities and authority of the minister of industry and commerce to increase the efficiency of government-level activity in market and industry protection. The purpose of the modification is to put more emphasis on producers' interests, while also considering our foreign trade and international contract obligations.

In the interest of protecting, and maintaining order in, the domestic market:

We run the Consumer Protection Inspectorate, with emphasis on:

- monitoring and controlling the advertisement of tobacco and alcohol products (proceedings were started by the Contracting Office)
- examining the activities of domestic parcel services (a proceedings, ending in punitive sanctions, were started by the Contracting Office)
- examining the operation of travel agencies
- examining glass bottle distribution

We supported the establishment of a National Association for Consumer Protection and the founding of the TESZT, a periodical on consumer protection.

We initiated, and now coordinate, measures taken for the elimination of illegal vending activity in public places. (Customs proceedings, stricter control, involvement of law enforcement.)

Tasks in the areas of industry and commerce for joining the European Community:

The chapters of the EC's agreement on association as related to free commerce took effect on 1 March 1992.

We are preparing industry and commerce, in the spirit of the agreement on association, for integration into Europe: law coordination for developing standards, consumer protection, intellectual property, in the area of environmental protection.

Helping to attain the goals of industrial policy through the use of EC sources of assistance (company overviews, the establishment of an energy center as an advisory center for the purpose of increasing energy efficiency).

World Bank projects: industrial restructuring programs, Japanese assistance, fine chemical industry program, reconstruction of electrical power distribution, Kelenfold gas turbine project.

OECD cooperation in: committees on industry, steel industry, environmental protection, consumer protection, and tourism.

Industry representation in the UN Industrial Development Organization (UNIDO).

#### **Dialogue With Society**

##### **Council of Industrial and Commercial Interest Reconciliation**

Possibility of a consulting forum for the discussion of plans emerging in the portfolio's areas. In addition to the traditional employee and employer participation, we involved unions of local governments and various democratically run groups for the protection of local interests, e.g., associations for environmental protection and preservation of nature. The council also runs special committees on mining, energy, processing industry, construction industry, construction material industry, commerce, and tourism. Since its establishment in mid-1992, the council and its special committees have discussed in general the ministry's more-important proposals and concepts.

Workers in the mining industry and the government struck an agreement that wages will be increased by 6.9 percent annually, the producer's price of coal will increase by 13.6 percent but neither the producer's price nor the consumer price of electric power may increase as a consequence. With the exception of Lyuko Mine, Borsod Coal Mines will be shut down.

Because of tourism's interportfolio nature, we operate a National Tourist Council, which is the main decision-making body of the profession, with the participation of representatives of all areas of tourism.

We initiated and conducted consultations with Hungarian church leaders so that the caretakers of the human soul can do their job with a familiarity of real economic processes.

**\* EC-Integration Troubles, 'Worsened' Prospects**

93EP0159A Warsaw PRZEGLAD TYGODNIOWY in  
Polish No 1, 10 Jan 93 p 14

[Interview with Jan Kulakowski, ambassador to European Communities Council, by Roman Polsakiewicz; place and date not given: "Worse Than a Year Ago"]

[Text] [Polsakiewicz] Mr. Ambassador, when we spoke a year ago, the atmosphere in the EC with respect to Poland's associating with it was very optimistic, euphoric really. What does it look like today?

[Kulakowski] The atmosphere and the mood connected with the agreement are dependent to a significant degree on the general atmosphere in the EC. A year ago, we were a sure element of its growth. We succeeded already then in convincing the EC that there was no essential conflict between moving deeper with the EC and its expansion. Personally I was always convinced that the failure to deepen and to further integrate was unfavorable to us, that it would keep us longer in the hallway of the EC (this was borne out by the development of events). Today we know that the EC has problems with this. Moreover, economic competition in Europe has worsened. It is obvious that in this situation, the Polish issue looks somewhat worse than it did a year ago.

[Polsakiewicz] Formally, only a provisional agreement links us today with the EC. That is very little.

[Kulakowski] The provisional agreement was signed simultaneously with the Pact on Association. It can be regarded only positively. This agreement is in effect today. We learn "community" by implementing it. Sometimes it happens that here and there we make mistakes, which are inconsequential in our opinion. However, they are regarded extremely severely by the EC, and the reaction is immediate. If we, for example, withhold the export of geese to the EC, immediately we are informed that we will not receive a larger quota for sheep. Thus, there is an unconditional reflex, and we must deal with a stronger partner who is taking advantage of his superiority. In the well-known motor vehicle case, we had to return after lengthy negotiations to the EC position. In general, I would like to state that a great deal is happening with regard to the implementation of the provisional agreement. We are continually conducting talks, we are working out detailed provisions, and we are finalizing details. In a word, the traffic running back and forth on the Poland-EC line is very heavy.

[Polsakiewicz] A year ago much was said about the fact that the provisional agreement will be replaced by an agreement that will run until the end of 1992. Meanwhile, little is heard about the ratification of the agreement by national parliaments.

[Kulakowski] Well, not exactly. Poland, Hungary, and Czechoslovakia already have completely ratified the agreement, although in the last case matters have become complicated. In September, the European Parliament ratified the agreement. In November, Great Britain and

Ireland ratified it. France, Italy, Spain, Greece, and Portugal still have no draft ratification law. Holland does have a draft law, but it has not set the date for the debate on this law. In Denmark, the draft law soon will be presented to the Parliament. Luxembourg probably will soon ratify our agreement. The lower house of the Belgian Parliament passed the ratification law. In Germany, the draft law is now circulating between the Bundestag and the Bundesrat. In essence this means that the agreement will not take effect on 1 January 1993, since that would require concluding the ratification process before the end of November, and that deadline already has passed. In this situation, we have approved extending the provisional agreement up to the time that the pact takes effect. I believe that this will take another six months or so.

[Polsakiewicz] The ratification of the Pact on Association is merely a formality for national parliaments. What is the reason for these delays?

[Kulakowski] The reasons are very simple: Parliaments have a multitude of their own domestic matters as well as EC matters to handle. For example, they must adapt legal regulations in conjunction with the coming into existence of the so-called market of the domestic community. But there are also many other matters. The Pact on Association with Poland is not a priority.

[Polsakiewicz] What do we lose until the full agreement takes effect?

[Kulakowski] Really very little. Political cooperation is already taking place. We had a meeting in Luxembourg at the beginning of October, and we had a small summit in London. I am not speaking of the results of either of these meetings, for that is another matter. Perhaps certain aspects of economic or cultural cooperation still await us, but those are not the most urgent matters. They do not impact negatively upon our economic relations. It is more dangerous that interest in Polish affairs has declined due to the internal difficulties of the EC. Now we must become more visible.

**\* Lack of Strategic Idea in Foreign Policy Noted**

93EP0153A Krakow TYGODNIK POWSZECHNY in  
Polish No 2, 10 Jan 93 p 4

Article by Roman Kuzniar, professor at the Institute of International Relations of Warsaw University: "Between Strategy and Petty Realpolitik"]

[Text] The monthly SPRAWY MIEDZYNARODOWE recently published my article titled "The State Strategy and Foreign Policy." Soon afterwards, I talked with a high-level Russian diplomat. He recalled my article and asked, "Do you know what is the most important sentence in your piece?" Then he answered himself by quoting this: "Poland cannot afford the lack of strategy. In a sense, we are destined to have it." He also added that this was true about all postcommunist countries, including Russia.

Furthermore, it is worth mentioning that, a few months ago, a report was published in Russia, on the basis of which

the Russian Council on Foreign and Defense Policy is supposed to define that country's strategic goals. The authors of that report did not hesitate to state that, for example, Russia did not want NATO to be extended into Central Europe.

To say that Poland ought to have a strategic idea in its foreign policy would be to state the obvious. One can easily point out reasons that Poland should adopt a strategic approach to foreign affairs. Among them are the following: the nature of Poland's international environment—that is, its geostrategic position; the task of the systemic, economic, and technological transformation facing Poland; and the necessity to prudently manage the limited resources at Poland's disposal.

In addition, there are more immediate reasons that demand that Poland begin conducting its foreign policy with a strategic idea in mind. Poland has to address the current challenges posed by its international environment, challenges that may become dangerous if not dealt with. Even though these are current problems, they belong to the realm of the state's long-term policy because they will force it to take action and keep it busy in the decades to come. These issues have to be addressed urgently because there is a growing discrepancy between the scope of challenges posed by Poland's international environment and its ability to meet them.

This is due to the fact that not only Poland's international position but also its internal situation is worsening—namely, the condition of the Polish state, economy, and society. To be sure, Poland today is in the best geopolitical position of the last several hundred years. This favorable situation may last for the next five to 10 years but may worsen later. However, there is reason to believe that we may not be able to take advantage of this situation before circumstances change.

Poland is a crossroads where foreign powers meet and collide, seeking in the process to influence Poland's policies to suit their own interests. The geopolitical composition of Poland's environment has been generally unfavorable until now, although it contains elements that, skillfully exploited, may play into Polish hands.

Let us take a look at Poland's western neighbor, Germany. In less than two years, it has become a continental superpower. At the same time, the rising tide of chauvinism and xenophobia has caused concern not only among Germany's neighbors, especially Poland, always sensitive about such phenomena, but also among the German political elite itself.

An attempt to jump forward with integration of the 12 West European countries (the Maastricht treaty) has brought about unexpected societal reactions and perturbations. It will not bring Poland closer to the European Community, given the fact that the treaty has raised higher the hurdle such candidates for EC membership as Poland must jump. It may be that Poland will not be able to cross over that barrier for "long decades," as F. Mitterrand put it. However, the only other option for Poland is to remain

on the outskirts of modern Europe, facing all consequences of that situation in the realms of economy, standard of living, and security.

As far as the issue of security is concerned, things are slower than Poland would like them to be. The Atlantic Alliance, like the EC, is more occupied with its internal problems, resulting from the need to adjust to the post-cold war era, than with taking responsibility for the security of Central Europe. This stance has been influenced by several factors. On the one hand, it results from old ideological stereotypes and schematic thinking. On the other, NATO is reluctant to get entangled in problems, especially territorial and national ones, haunting the countries that tackle the legacy of communism. Therefore, Poland's membership in NATO appears to be rather distant.

The post-Soviet republics get a lot of press coverage nowadays. Most of the commentators pessimistically agree that neither Russia nor CIS [Commonwealth of Independent States] is close to reaching the point of no return, beyond which it would not retreat from reforms and go back to an imperial (or neoimperial) foreign policy. As far as the most important issues (from Poland's point of view) are concerned, there is no reason for optimism. Commentators emphasize the multitude of potential threats from the East, ranging from uncontrolled proliferation of nuclear weapons to mass immigration.

As far as Poland's southern neighbors are concerned, the "velvet" divorce (let us hope) between the Czech lands and Slovakia will inevitably complicate matters within the Visegrad community. Some reorientation in the foreign policy of Prague and Budapest cannot be excluded. Furthermore, the civil war in Yugoslavia has paralyzed the Hexagonale, despite its promising beginnings.

Poland still remains a component of the main European geostrategic axis, from Paris through Berlin to Moscow, while being its weakest link. It lies between Germany, the EC, and NATO on the one hand, and Russia and CIS on the other. The north-south axis (from the Baltic to the Adriatic), which crisscrosses the east-west axis in Poland, is too underdeveloped to obfuscate and weaken the traditional arrangement. On top of that, the U.S. presence in our part of the European Continent is not only inadequate but may even diminish in the future.

Polish foreign policy has done a lot in the past two or three years to secure the best place for Poland in the new European order. It has found its expression in Poland's relations with multinational organizations, including its association with the EC, contacts with WEU [Western European Union] and NATO, membership in the Council of Europe, and activity in the forum of the CSCE. Another expression of Poland's new status in the international arena is subregional cooperation, especially within the Visegrad Group, where Poland has been a leading actor, and in the Baltic Sea region.

This progress can be best seen in Poland's bilateral relations, based on treaties that have been signed by Poland with its most important partners, including its immediate neighbors.

Without more deeply analyzing the accomplishments of Polish foreign policy, one has to point out that they have been achieved mostly through the traditional instruments of foreign policy (equated with diplomacy). At the same time, Poland's internal situation has provided little input to foreign policy, if it has not made it more difficult altogether.

However, the time when "pure" foreign policy was enough to satisfy Poland's needs is passing inadvertently. We have reached a point where the state's domestic agencies, its economic potential, and the society, organized in a modern fashion, need to be involved more in the protection and promotion of Poland's national interests. The first example that comes to mind is the agreement regarding Poland's association with the EC. Having been the undisputable success of a small team of MSZ [Ministry of Internal Affairs] negotiators, it can be wasted if the state and economic agencies do not realize that this agreement "will not bear fruits by itself." The same pertains to the Polish-German agreements.

While it is the role of foreign policy to find opportunities, it is the matter of state policy to take advantage of them. The entire state has to manage the expanse gained ("conquered") by foreign policy. For that, one needs to develop "the grand state strategy"—that is, the art of accomplishing goals. A grand strategy has a holistic character, a long-term approach, and a system of priorities. Furthermore, it is conducted by a unified body. In other words, a strategic approach is a technique, a sort of know-how, designed to accomplish desired goals.

It is a bitter paradox that Poland, "destined" to have its state strategy, has great difficulty devising it.

The main reasons for that lie in the realm of politics—the anarchic nature of Poland's political system, factionalism of its political life, the relative weakness of the three major political actors (parliament, the president, and the government), and the clinchlike situation in which they often find themselves. The "Balkanization" of Poland's political scene is best illustrated by the fact that the strongest party in the parliament has only 12 percent of the seats, while the remaining largest parliamentary clubs—the SLD [Democratic Left Alliance], the PSL [Polish Peasant Party], and the KPN [Confederation for an Independent Poland]—are in the opposition. It would be difficult to find another country like that these days.

The lack of a new constitution three and a half years after the turning point of 4 June [1989] and the circumstances in which the Small Constitution was worked out reflect the inability of the reborn Poland to reconstruct its political system.

Obviously, a situation like this does not stimulate the society to develop civic attitudes, supportive of the state. By comparison, citizens of the most pluralistic Western societies commonly identify themselves with their states.

The prevalent type of thinking in Poland corresponds to the ephemeral political games, to which political thought is subservient. Prof. L. Balcerowicz has put it well: "Our little

'realpolitik' looks particularly petty when compared with the historic tasks facing Poland." The weak political parties and unstable state agencies cannot create the state strategy. It would be difficult to find a developed, democratic country whose major political parties have such divergent views on crucial foreign policy issues as they do in Poland. One could mention only controversies regarding Poland's eastern policy, its integration into the EC, or its position toward NATO. To add insult to injury, these controversies have taken place among parties of the government coalition.

The notion of state strategy includes the possibility of using power. However, in the modern world, especially in Europe, the nature of state power is different. There is no strategy without "muscles," but one does not have to necessarily flex them. In contrast, having "muscles," a state still strives to avoid using them even as a last resort (in traditional politics). On the other hand, what constitutes a state's "muscles" in the contemporary world is modern economy focused on exports and financial resources, as well as technological and scientific progress, especially in the selected industries, including the armament industry. One has to emphasize here the importance of the defense industry (as an element of state strategy) because many voices have recently questioned Poland's need to have it. The same pertains to the role of intelligence and counterintelligence in the new conditions. (In the United States, for example, experts tend to agree that there is a need for more intelligence operations since the fall of communism and the East-West division.)

Last but not least, it is imperative that a central decision-making body have the prerogative to define Poland's strategy. It is a precondition of a strategy that would integrate all theoretical and practical aspects of Poland's security and development. In other words, this body would have to be an organization staffed with high-quality personnel and empowered to make binding decisions. In addition, think tanks, almost nonexistent in Poland, would play a special role as well. Only if the state leadership has vision, will, and the means can it play the role of commander in chief. Furthermore, the state strategist (whether an organization or a person) should have a modicum of freedom or even autonomy with regard to politics, understood as a constant struggle for power. Strategy ceases to be one if it gets entangled in current politics.

The disappearance of the East-West division has not made international relations a domain of high morals. Neither have the international players become altruistic Samaritans. While Poland has already lost credit for having ignited the fuse that blew up the Eastern bloc, it has not yet become a part of the West. We are sailing through the stormy sea of the new realpolitik. If Poland wants to find a safe harbor in the new world order—that is, in the West—it has to have its own "realstrategie [as published]." If it is unable to devise it, it will be destined to drift endlessly on the outskirts of modern civilization, subservient to its neighbors, close and distant alike, who are simply "at a higher level of evolution."

**\* Ukrainian Population in Olsztyn Area Described**

93EP0155A Warsaw RZECZPOSPOLITA in Polish  
6 Jan 93 p 3

[Article by Adam Jerzy Socha: "Little Galicia"]

[Text] The Ukrainians and Red Ruthenians [Lemkowie] are among the most numerous ethnic minorities in the RP [Republic of Poland], consisting of approximately 180,000 people. Their largest community is in the Olsztyn area. Almost 56,000 Ukrainians were deported there in 1947, in the process of "Operation Vistula." As the Ukrainians themselves recall, the Polish authorities broke up their particular villages and "scattered them to the winds." The dispersing of the Ukrainians among the Polish ethnic communities was supposed to facilitate their assimilation.

**Mad Dogs**

The official directives were not followed closely in the Olsztyn area. As a result, large groups of Ukrainians were resettled there and took over land no one else wanted because of wartime destruction and looting. In this way, the Gorowo Illowieckie powiat [municipality], where the first transport of Ukrainians arrived on 5 May 1947, and where as many as 4,878 of them settled in the end—became a municipality, with the largest Ukrainian population in the whole Western Territories (50.6 percent). "They dumped us here because this was the end of the world," says Dr. Wladyslaw Kozubel, a young history teacher in the Ukrainian lycee in Gorowo and chairman of the Ukrainian Citizens Committee. The place was close to the [Polish-Soviet] border, which the Russians altered in 1946, having annexed Ilawka Pruska (now Bagrationovsk) to the Kaliningrad district. The living conditions were miserable; houses had damaged roofs and broken windows and doors. During the first year after their arrival, the Ukrainians did not even unpack. They refused to accept their land titles, afraid that that would prevent them from ever going home. They covered the windows of their houses with plywood and would work for a bucket of potatoes. That first year of exile was nothing but hunger and misery.

A report of the Gorowo powiat head, written in January 1946 [1948?], reads: "The displaced persons from the Rzeszow region, who arrived here as a result of 'Operation V,' are not very friendly toward other ethnic groups. Their interaction with other nationalities has been marked by unruliness and inherent cockiness. On the other hand, when they deal with the authorities, they are quite compliant, although, at the same time, they seem to be hiding something." "Most of our people live in a ghetto—the Ukrainian, national ghetto," says Igor Hrywna, a young historian from ART [Agricultural-Technical Academy] in Kortow and a counsellor at the dormitory of the Ukrainian lycee in Gorowo. One is a Ukrainian in one's home, having locked the doors behind carefully. The Ukrainians do not exist as such in public life. More often they are perceived as the disciples of [Stefan] Bandera [leader of the Ukrainian Insurrection Army after WW II], hoodlums or mad dogs. They were pushed into that ghetto in 1947.

**Out of the Ghetto**

The first authentic attempt to exit that ghetto was made in Gorowo in 1989. "During the election campaign to the prearranged Sejm, representatives of the Ukrainian population met secretly with the Solidarity candidates at the presbytery of the Greek Catholic Church in Olsztyn," recalls Dr. Wladyslaw Kozubel. "After that meeting, we started a pro-Solidarity campaign in Gorowo. Before that, it was inconceivable that the Ukrainians would participate in the opposition activities. In spring 1982, Miron Sycz (now the superintendent of the Ukrainian lycee) and I myself were expelled from the Ukrainian Social-Cultural Society. The officials of the Ukrainian community, as well as the SB [Security Service], perceived us as Ukrainian nationalists. If one wanted to do something for the Ukrainian community, one had to join the Polish Communist Party. It would provide some protection and give one an entirely different status while talking with the authorities."

In January 1990, the Ukrainians from Gorowo were the first in Poland to officially celebrate the anniversary of the proclamation of independent Ukraine after WW I. They invited Solidarity deputies and senators, having displayed their symbol of trident and blue and yellow flags in the civic center.

The Solidarity deputies and senators came at that time not only to celebrate but also to mediate. Gorowo was riddled with controversy; the citizen committee had split into two factions. When the Ukrainians established the Ukrainian Citizen Committee, hate graffiti appeared on the walls ("Ukrainians out!").

"The Poles were afraid deep down that the Ukrainians would get together and take over the town government," speculates Father Juliusz Gbur about the roots of that controversy. He himself has lived in Gorowo for the past 20 years, having been the vicar of the Greek Catholic Church for all of Northern Poland and the editor in chief of the religious periodical BIAHOWIST (published in Gorowo, but distributed nationally).

One week before martial law was imposed in Poland [13 December 1981], the authorities allocated a ruined Evangelical chapel to the followers of the Greek Catholic Church in Gorowo. The Ukrainians restored it themselves and adopted it to the needs of their religion. (Interestingly, there is also an Orthodox church in Gorowo). The iconostasis was made by Jerzy Nowosielski. Fr. Juliusz Gbur gives his blessings to 20 marriages each year in that restored church. More than half of those marriages are mixed Polish-Ukrainian.

"When I moved in here 20 years ago," says Father Gbur, "the authorities were convinced that 'the older Ukrainians would die out, while the youth would become turncoats.'"

**Ukrainian Lycee**

After several rounds of negotiations, the Polish and Ukrainian citizen committees put together a joint list of candidates prior to the self-government elections. To be sure, only one Ukrainian—Jozef Stadnicki, the village head

from Kumiejki—was voted from that list to the City Council, elected by the ethnic Poles, as he emphasizes.

"It was the school that caused friction between the Poles and the Ukrainians two years ago," says Stadnicki. "Why in the world do the Ukrainians want a separate lycee?" the Poles would ask.

In 1968, the existing Gorowo lycee introduced several courses taught in Ukrainian. In 1990, when the names of schools were being changed, the Ukrainians proposed that the lycee be named after a Ukrainian poet. The Polish teachers perceived this proposal as the first step toward a Ukrainian takeover of the entire school. At that point, the Ukrainian Citizen Committee suggested that a separate Ukrainian lycee be founded. In July 1990, an agreement was signed, according to which the second lycee was to be established in Gorowo—the Ukrainian one. Representatives of MEN [Ministry of National Education], the Olsztyn school district, and the Ukrainian Citizen Committee witnessed this event. Thus, the first lycee with Ukrainian as an official language was founded in Poland (lycees in Legnica and Bialy Bor offer the Ukrainian language only as an elective).

A brick hut was allocated to the lycee, a leftover from the SKR [Agricultural Circles Cooperative], consisting of seven dumpy rooms with cracks in the walls (163 square meters altogether). The Ukrainian lycee administration divided the hut's garage into a library, an office, a teachers' lounge, and the superintendent's office. The walls in the superintendent's office are adorned with both Polish and Ukrainian national symbols—a crowned eagle and a trident. Out of 22 students who graduated from this lycee in 1992, 21 have been accepted to colleges, including a few who will study in U.S. schools. The lycee's good reputation has increased the enrollment year by year. As a result, as many as 193 students were supposed to begin classes in September 1992. Superintendent Miron Sycz asked the school district to allocate additional space for the lycee. Because the school district did not bother to respond to this request, the Ukrainian Citizen Committee brought the case to the attention of the Sejm deputies from the Olsztyn area. Pawel Abramski, a KLD [Liberal-Democratic Congress] deputy, and Wacław Bartnik, a UD [Democratic Union] senator, inquired at the school district administration. The latter responded by saying that a new lycee was supposed to be built in Gorowo but took no action.

#### School in a Tent

A number of students of the Ukrainian lycee began their school year in a military tent and a trailer, set up in the backyard. This was noticed by the local press, radio, and television. The school district administrator explained then to the journalists that the lycee superintendent had admitted more students than expected, including those who did not live in the Olsztyn voivodship, without informing the administration. It took the intervention of Senator Wacław Bartnik (who is also the Olsztyn deputy voivode) and Deputy Michał Janiszewski (KPN [Confederation for an Independent Poland]), as well as the parliamentary inquiry of KLD Deputy Pawel Abramski (the

Ukrainians shared the KLD ballot in elections) to break the stalemate. The school district administrator agreed to lease two additional rooms in the civic center for the Ukrainian lycee, while MEN reiterated its will to build a new lycee in Gorowo within the next two years.

However, on 30 November 1992, the school district administration ordered the superintendent of the Ukrainian lycee to terminate the lease of additional rooms and set up a two-shift system of teaching on the existing school premises, "due to the severe lack of funds for extra expenses."

"We are back to square one," say members of the town administration. "Grazyna Langowska, the school district administrator, wants to trigger a conflict in Gorowo. But it is not a conflict between the Ukrainians and the school administrator. It is a conflict between the school administrator and Gorowo."

"The issue of the Ukrainian lycee is not an exclusive problem of the Ukrainians," adds Andrzej Helbrecht, mayor of Gorowo. "It is a problem of the whole town, which is struggling to survive." (Out of 4,890 inhabitants of Gorowo, 859 are unemployed, of whom 400 have already lost their unemployment benefits).

"Two years went by before the town administration understood that we are one community and share our problems." This is how Władysław Kozubel comments on the changes the Polish and Ukrainian communities have undergone in Gorowo, from a conflict in 1990 to a joint celebration of the [Polish national] holiday on 11 November of this year. After that holiday, Józef Antuch, a farmer from Wiewiorki, stopped by to congratulate Kozubel on his speech in the church and convey his thanks for a concert by a Ukrainian chorus.

"All of a sudden, I felt I was in Galicia, the native land of my father," says Dr. Władysław Kozubel. "Gorowo is my little Galicia."

#### \* Situation in Silesian Dziewkowice 'Settled'

93EP0155B Warsaw *RZECZPOSPOLITA* in Polish  
6 Jan 93 p 2

[Article by Zbigniew Lentowicz: "Order Reigns in Dziewkowice"]

[Text] Ryszard Zembaczynski, the Opole voivode, estimates that the spiral of unrest has come to an end in his region, while the German minority has realized its mistakes.

"Reason has won against stupidity," said the voivode at the Tuesday [January 5] session of the Sejm Commission on Ethnic Minorities. He added that he was particularly pleased with the results of the last congress of the German Social-Cultural Association, which was held in Krapkowice. The participants of that conference emphasized their will to cooperate with the ethnic majority [the Poles] in Silesia. "If they meant what they said, the future looks bright, but if they adopted this program only as a political tactic, it will be carefully corrected. President Walesa's



sharp remarks constituted a warning that came not a minute too soon," pointed out Zembaczynski.

A special commission, which includes representatives of the ethnic minorities, has been working in the Opole region since mid-December 1992. Its purpose is to investigate the problem of monuments commemorating fallen German soldiers of both world wars. These monuments have been rebuilt and even expanded, often without authorization, by the population of townships where the Germans are in the majority. "It is very difficult to reach a consensus in this case, given the fact that approaches to this problem and opinions about the facts are so divergent," says the voivode. At the same time, he points out that the truth about the complicated Silesian history demands that the victims of the Polish detention camp in Lambinowice—where many Silesians of German origin died in the period 1945-46—be commemorated as well. The appropriate decisions in this matter have been already made.

In addition, Voivode Zembaczynski informed the deputies that the neo-Nazis, sent out from Dziewkowice by the National Offensive, have been declared personae non grata and expelled from Poland. However, the new visitors have showed up in the village already. "We are watching them. We do not know yet what their intentions are," said Zembaczynski.

Furthermore, the appropriate state agencies are in the process of studying the content of the newsletter SLCHEI-SICHE REPORT, which—according to the authorities—has published material contradictory to the spirit of the Polish-German treaties. There is a possibility that the publication will be banned.

"We are going to support these actions," said Deputy Henryk Kroll, the leader of the Opole Germans and the deputy chairman of the Commission on Minorities. During the same session, Kroll decisively rejected charges that the German minority in Silesia was not loyal to the Polish state. "We are and will be loyal. There is no proof to the contrary. As a matter of fact, many people are accusing us now that in the past we were too loyal," stated Kroll. The deputy reiterated that his organization had nothing to do with the neo-Nazis, with whom the state authorities should have dealt long ago. According to Kroll, the press picks on and exaggerates scandalous topics. "Instead, it would be better if the journalists simply visited Silesia more often. They could describe Dziewkowice, for example, because it is really a neat village where everything goes all right."

#### \* SdRP on Coming Congress, Center-Left Coalition

93EP0162B Warsaw RZECZPOSPOLITA in Polish  
16-17 Jan 93 p 2

[Article by A.F.T.: "SdRP Undervalued"]

[Text] SdRP [Social Democracy of the Polish Republic] has 60,000 members and between 1 million and 1.5 million sympathizers. "This is a good ratio, better than

having 1.5 million members and 60,000 sympathizers," Secretary General Leszek Miller said at a press conference.

The party is preparing for the second congress, with 300 delegates meeting on 20-21 March. They will adopt a platform, the draft of which officials have entitled "Poland: just, democratic, and safe." Jerzy Wiatr, who heads the platform group, said that it is based on two fundamental principles: The choice is not limited to just the previous centralized system or a free-market uncontrolled economy. There is a "third way," democratic socialism. "We think that the principles of a social market economy can and should be linked to an active government socioeconomic policy carried out using the instruments appropriate for that economy, and that the requirements of effective management can and should be linked to a just distribution of goods, equal opportunity, and universal social insurance." The second principle is: "We stand for the development of a system of parliamentary democracy in Poland based on a single chamber developed out of proportional Sejm elections."

In the SdRP's view, "the ruling camp abandoned the platform and slogans that Solidarity used at its founding in 1980 and when it came to power in 1989." The head of the party is hoping that the time preceding the congress will be "filled with lively discussion." In its directed call to assembly, the congress will confirm "the readiness it has already proclaimed to join the Socialist International." It will also offer to cooperate with other Polish left-wing organizations.

An assessment of PRL "exceeds the possibilities of a congress document." Therefore, several dozen authorities have been sent questions concerning an evaluation of the past several decades. Jozef Oleksy does not think it possible to reject the whole biography of society.

Leszek Miller does not know that the Union of Labor has invited an SdRP representative to its congress. The secretary general said his party "is happy whenever new left-wing groups appear." He once said that left-wing organizations are linked by memories of the past and divided by views of the future, and, after a while, that assessments of the past divide the left-wing parties. Jerzy Wiatr knows that October 1956, for example, links politicians on the left. Then he, Bronislaw Geremek, Janusz Reykowski, Karol Modzelewski, and Jacek Kuron felt the same readiness to go at the Soviet tanks. "We cannot be a single party, but it is possible to create a center-left coalition."

The name of just one party was mentioned in the drafts as a member of a possible coalition, the PSL [Polish Peasant Party].

Deputy Jozef Oleksy said that the SdRP could not be accused of failing to be a responsible member of the opposition. Although it sounds like a slogan, what is most important for the SdRP is the good of the country. The left voted for the decrees in the small constitution. "We cannot support that, even if this would mean extending the government's existence."



The decrees are to help make governments more effective, not more comfortable. The SdRP is against the making it possible to issue decrees on matters that are fundamental to the state: ownership, self-government, social justice, codes, the tax system, and universal health care and education.

What will arouse Jozef Oleksy's indignation will be the next war at the top, or accusations by the chairman of the PC [Center Accord] against Mieczyslaw Wachowski. Leszek Miller does not understand how the prime minister could come out against sex education in the schools or oppose the draft referendum on the criminality of abortion.

No stand has been developed in SdRP yet on the date for new parliamentary elections. The next parliament should create a center-left coalition.

**\* Hall Discusses Role of Conservative Party**

93EP0147A Warsaw POLITYKA in Polish No 1,  
2 Jan 93 p 20

[Interview with Aleksander Hall, leader of the Conservative Party, by Janina Paradowska and Mariusz Janicki; place and date not given: "Unhealthy Arrangement"]

[Text] [POLITYKA] A member of your party said about you: "Hall? We associate that name with political meandering and waving one flag after another."

[Hall] I disagree. I do not fancy zig-zag driving. In my opinion, I have been one of the most consistent Polish politicians. My views are consistent, as well.

[POLITYKA] What separated you then from Tadeusz Mazowiecki, whom you have always supported, and with whom you founded the Democratic Union, having agreed that there was a great need for such a party?

[Hall] I do respect Mazowiecki a lot. I think he may still play a major role in Polish politics. But what has divided us is our opinions about the profile of the Democratic Union. It is a very disjointed party, comprising both conservatives and social democrats. The number of the latter is growing. In addition, the Union is deeply divided on the issue of the church. One can perceive the church as a repository of important values and a moral authority, but one can also see it as an obstacle that hinders Poland's journey toward democratic capitalism and Western Europe. The party includes people like Hanna Suchocka and Tadeusz Syryjczyk, who share the first of these perceptions, as well as people like Barbara Labuda, Zofia Kuratowska, and Wladyslaw Frasyuniuk, who point out the menace the church poses. Tadeusz Mazowiecki attempts to unify this pluralistic party, in which the right wing is becoming weaker, while the left wing is growing stronger. I have decided that it was time to establish a party that will be consistent in respecting the traditional values and the role of the church. Besides, I wanted a party that would not stir up political conflicts, most of which are quite artificial.

[POLITYKA] So, the main point of disagreement is the party's position on the Catholic Church. You have said

that conflicts in this realm are artificially stirred up. But here are some facts: a bishops's protest after the Siedlce voivoda was fired, a campaign against the ombudsman, the abortion issue, and so forth. How can you not see them?

[Hall] Well, you and I differ in our opinions about the roots of the conflict. The church is one thing, the ZChN [Christian-National Union] another.

[POLITYKA] We are talking about the actions of the church itself.

[Hall] Let us take the Italian example. The Italian bishops have directly appealed to the population to vote for Christian democracy. They have spoken about abortion, as well, having demanded a referendum to repeal the liberal abortion law. Nevertheless, Italy is a democratic and pluralistic country. It is only normal in the contemporary world for the church to speak out on public issues.

[POLITYKA] The Western countries have strong democratic institutions that could take sides in eventual conflicts and prevail. In Poland, on the other hand, politicians are universally scared to take an open stand against the church.

[Hall] It is true that the church's opinion weighs a lot in Poland, due to the special circumstances and the legacy of the past. But I disagree with your claim that there is no counterbalance. It is actually becoming bigger. Let us say it clearly: One has to separate the church's right to evaluate legislation from the pronouncements of particular representatives of the church. I would call some of those pronouncements quite unfortunate. But that does not change the fact that one has to prevent a major conflict, and that is what I have chosen to do.

[POLITYKA] In other words, one has to always yield to the church?

[Hall] Not exactly. I compare the current situation in Poland to the period of the religious wars in France. On the one hand, there were two militant factions—the Catholic League, which wanted to eradicate all heretics with sword and fire, and the Huguenots, who wanted to convert the French to Calvinism, and who derided the Holy Mass and the Catholic dogmas. On the other hand, there was a group of moderate Catholic politicians, close to the throne, that won at the end, having contributed to the Nantes Edict. But, before moderation and reason won, France had suffered through a 30-year civil war.

[POLITYKA] What would the Polish Nantes Edict look like?

[Hall] As far as the Constitution is concerned, there is no problem, in my opinion. The concepts of the church's "autonomy" and church-state "cooperation" are sufficient. It is the practice that poses problems. But this could be solved through an agreement, according to which the church, while spreading the Gospel, would respect the pluralistic character of the society. At the same time, the state would respect the fact that the church in Poland is not

only a repository of universal values but also a community that integrates the Polish society.

[POLITYKA] However, the church did not endorse moderate Christian parties during elections. Instead, it rendered its support to an aggressive, fundamentalist Catholic Action.

[Hall] It was different in different localities, but I agree that it was quite unfortunate that the clergy would tell its parishioners which ballots they should vote for.

[POLITYKA] Do you count on the church's support in future elections?

[Hall] I think it would be harmful to the church's interests and authority if it fully endorsed one particular political force. And I am not suggesting here that the church endorse my party instead of the ZChN, which, by the way, is not as radical as the mass media depict it.

[POLITYKA] Being moderate can sometimes lead to inconsistency. We would like to point out one of your inconsistencies. At first you endorsed the restrictive draft of the abortion bill. Now you claim that the bill is too repressive.

[Hall] I believe that human life must be protected. There were no other drafts of that bill.

[POLITYKA] No, there were.

[Hall] Well, but they were based in philosophy, which I could not accept. I hoped that the draft I had endorsed would be modified and become more moderate. Unfortunately, the infighting took the place of legislative work in the parliamentary commission that was preparing the draft. Therefore, I am for a scaled-down version of the bill, but I am strongly against the national referendum on abortion.

[POLITYKA] By having endorsed this particular draft of the abortion bill, you have contributed to the mass movement of committees that favor referendum. This pro-abortion movement will quite likely be transformed into a strictly political movement on a large scale. In this way, a division that you yourself consider disastrous for Poland will take effect—militant religious fanatics against militant secular fanatics.

[Hall] I do not minimize this danger, but I think it can be avoided. There are many people in Poland who have embraced the church and the Polish ethos, but who do not perceive religion as a political ideology. However, neither do they accept the committee movement nor the slogan "A priest's place is in the church, not in the public arena." The church itself cannot remain silent because its mission is to speak out. The language it uses is another matter.

[POLITYKA] You have recently become the chairman of the Conservative Party. At the same time, your pronouncements suggest that you do not believe it and other right-wing parties might succeed. You yourself have said that

the Right is less and less fashionable. Why would you establish a political party if you do not believe in its success?

[Hall] I see a chance for my party, but a politician must face the truth. And the truth is that there is a growing phenomenon that can be called socialist reaction.

[POLITYKA] Socialist or populist?

[Hall] Both. Therefore, the Right that tries to ferret out the communist agents and pass decommunization bills finds greater acceptance today than a party like ours. I think we have a better chance in the long term.

[POLITYKA] What do you mean by "the long term"?

[Hall] The next decades. To be sure, our first test will come sooner—during the next parliamentary elections. Our party is not the only component of the camp of the moderate Right. The Polish political scene is still undergoing transformation. There will be more changes.

[POLITYKA] What changes? Do you want to attract the electorate of Jaroslaw Kaczynski, the [Democratic] Union or the Liberal [Democratic] Congress?

[Hall] In my opinion, people who think like me can be found not only among our closest allies—the Polish Convention, the Party of Christian Democrats or the Peasant-Christian Party. One can also find them in the Union, the Congress or the Center Accord. I think that conservatives who belong to those parties will soon have to make their ideological choices more unequivocal.

[POLITYKA] Politicians as different as Jan Parys, Tadeusz Syryjczyk, Janusz Korwin-Mikke, Lech Mazewski, and Jan Maria Rokita consider themselves conservatives. What is the difference between your conservatism and their conservatism? What does it mean to be a conservative in Poland today?

[Hall] There is almost no difference between my views and those of Syryjczyk and Mazewski. I do not know what the difference between me and Rokita is. He is an excellent tactician, but I do not always know what he really thinks. On the other hand, my opinions differ radically from those of Parys and Korwin. Parys is an unbalanced revolutionary activist, while Korwin-Mikke is a journalist who makes people think. However, it is difficult to judge him in political terms. As far as conservatism is concerned, it is a belief that one cannot create democratic capitalism without relying on such values as patriotism, as well as traditional moral norms and ethics. It is not enough to rely on people's individual motivation—making a career or making money. This could be self-destructive.

[POLITYKA] A tradition has developed in Poland wherein each new prime minister creates not only a new government but also a new political party. Rumor has it that you suggested that the popular prime minister Suchocka secede from the Democratic Union with a group of followers and establish a new party. But that did not work; your colleagues have remained in the Union.

[Hall] Those who have remained in the Union want to define its political profile from within. They do not want to give that party up easily. It is the largest party in Poland. We, on the other hand, have made a different choice. Given the fact that elementary political stabilization has been achieved in Poland, we decided that there was time to make a clear ideological commitment. Enough time has been wasted already. Those who claim that divisions within political parties are harmful in fact perpetuate the unhealthy arrangement that resulted from so-called political acceleration and the "war at the top." It is imperative that at least a few, clearly defined political blocs be established before the next elections. Otherwise, the whole Polish political scene will be blown off.

[POLITYKA] You have mentioned the war at the top. You were one of the most ardent opponents of Lech Walesa. It has been two years since he became the president. What do you think about his Presidency?

[Hall] I have mixed feelings about it. On the one hand, one has to admit that, when the most important issues were at stake, Walesa, once elected, would support solutions that stabilized the situation. He knows that an entirely new type of economy has to be created in Poland. He has not abused the rules of democracy. In a sense, he has played the role of an umbrella protecting the process of reforms. On the other hand, I think that Walesa's concept of the state is too simplistic. In my opinion, he underestimates the need to create stable institutions and large political blocs. Furthermore, Walesa loves to play the game designed to keep others at bay. In addition, there is too much of what I would call "palace politics" in his administration. Besides, his dynamic approach and great political astuteness notwithstanding, Lech Walesa is lacking what is very important in government: modesty—that is, the ability to admit one's limitations and flaws. That is a quality every politician needs.

[POLITYKA] Thank you for the interview.

#### \* Foreign Trade Changes in Past 4 Years Analyzed

93EP0158A Warsaw POLITYKA EXPORT IMPORT in Polish No 2, 9 Jan 93 p 1

[Article by Jerzy Kleer: "Facing West: Hard To Recognize Polish Foreign Trade After Four Years"]

[Text] As might have been expected, the breakdown of real socialism in East Central Europe and the liquidation of CEMA caused a violent reorientation in Poland's foreign trade. The position of the developed industrial countries, which almost "from one day to the next" became our most important consumers, grew with unexpected force. They also began to play the role of basic sources of supply.

But that is not the end of the changes. The position of the developing countries in Poland's foreign trade is also increasing, and, logically, commercial contacts with the former CEMA countries are declining rapidly.

If, in 1988, these countries accounted for 40.9 percent of Poland's imports and 41.1 percent of its exports, in 1990 the respective indexes fell to 22.3 and 21.4 percent. In 1991 and during the first nine months of 1992, according to estimated data, the percentage of the once dominant Central European region continued to decline rapidly. In 1991, Poland's exports to this region were barely 16.8 percent and, in 1992, were only 14.7 percent of the total. Imports also declined quickly. In 1991, Poland sold 19.0 percent of its goods and services to the East and, in 1992, 13.9 percent. So much for the numbers.

Today it is difficult to judge precisely the effects of the breakdown of the eastern markets for Polish foreign trade. There is no doubt, however, that the regress has had negative effects on the condition of many enterprises and entire industries. The decline in production, the above-average growth in unemployment, the difficulties in changing product lines are only a few of the most obvious "side effects" of these changes. We cannot judge yet precisely how great the influence of the breakdown of eastern markets on the decline in industrial production and on the gross domestic product has been. We only know that it has been great. Worse, there is as yet no sensible remedial plan or an answer to the question: How can we regain the markets of Central and Eastern Europe?

But what has succeeded? The reorientation of Polish foreign trade toward the developed industrial countries, combined with its visible expansion, happened very quickly. Unfortunately, there is no guarantee that it will last long. The positive performance of the past few years is not an argument that settles the future. That depends on an active attitude on the part of both Polish exporters and their Western partners.

For now, the percentage of the developed industrial countries in imports has grown from 45.9 percent in 1988 to 68.9 percent in 1991, and to 73.6 percent in 1992 (estimate for nine months). In exports, the figures are: 1988, 43.5 percent; 1991, 73.7 percent; 1992 (nine months), 70.8 percent. One can assume that, after the fourth quarter, this percentage will be even higher.

The position of the developing countries deserves closer attention in both exports and imports. In 1988, 7 percent of Polish imports came from countries of the Third World; in 1992, 10.8 percent did. The respective indexes for exports were 9.9 percent and 11.7 percent. This is a good trend; may it last.

For years, Poland's main foreign trade partner was the Soviet Union. Until 1989. In 1988, we sold 24.5 percent of our goods and services there, and in 1989 20.8 percent. Since 1990, however, violent changes have been taking place. During the next two years, the former USSR fell to second place in the statistics, with the respective percentages of 15.3 and 11. During 1991, the percentage of the Russian Federation was only 5.1 percent, and, including Ukraine and Belarus, it was 7.3 percent. The Russian Federation was not among Poland's first five trading partners.

But we cannot resign from Russia as an important trading partner or from many other states of the former Soviet Union, chiefly Ukraine and Belarus, which now show levels of 1 percent.

In imports in 1990 and 1991, the former Soviet Union was second (19.8 and 14.1 percent), but, in 1992, the Russian Federation was fourth, with 5.3 percent (including Ukraine and Belarus, 7.1 percent). We import nearly as much now from the Netherlands (7 percent).

Since 1990, Germany has occupied the vacated position of most important trading partner. And the jump in turnover has been huge. The percent of exports to Germany in Polish exports increased from 12.4 percent in 1988 to 29.4 percent in 1991 and 27.3 percent in 1992. In imports, too, there were impressive changes: from 12.4 percent in 1988 to 26.5 percent in 1991 and 23.7 percent in 1992. It appears that Germany will remain Poland's main trading partner for many years.

But that is not the end. Over the past five years, the list of the first five countries has changed constantly. In 1988, among exports they were: the USSR, the FRG, Czechoslovakia, Great Britain, and the GDR. Three years later, the list was completely different. Germany was first, and

the further places were held by the former USSR, Austria, the Netherlands, and Czechoslovakia. The list for 1992 includes Germany, Austria, the Netherlands, Great Britain, and Italy.

Equally great changes occurred in imports. In 1988, the first five consisted of the USSR, Germany, Czechoslovakia, the GDR, and Switzerland. In 1992, they were Germany, Austria, Great Britain, the Russian Federation, and the Netherlands.

Over these five years, more than 50 percent of total exports and imports involved the five main partners.

The concentration of Polish foreign trade in a few markets is obvious. This phenomenon has continued for years. Certainly, during the initial phase of the transformation, it cannot be otherwise. But, over the long-term, should this continue? It is difficult to say. A comparative analysis of foreign trade of many countries does not give a simple answer. We know the advantages and disadvantages of both excessive concentration and excessive dispersal.

The structure of Polish foreign trade did not undergo such a revolution in recent years. The table below shows the changes.

**Foreign Trade Turnover by Groups of Goods**  
(in percent)

	Imports			Exports		
	1988	1991	1992	1988	1991	1992
Fuels and energy	14.8	18.8	15.6	10.1	10.7	11.3
Industrial products	79.6	78.0	80.0	76.1	77.1	79.3
Construction	0.0	0.0	—	4.9	4.8	—
Agricultural products	5.1	3.1	3.1	3.5	6.6	5.9
Forestry products	0.0	0.0	0.0	0.5	0.5	0.6
Other	0.5	0.1	0.3	4.9	0.3	2.6

As the table shows, the percentage of fuels and energy in imports rose. The import of agricultural products fell in spite of what our farmers say. Interestingly, that group of goods increased its percentage of exports. In all, the changes in the structure of production and trade are occurring much more slowly than the changes in geographical structure.

#### **\* Overview of Privatization Progress Detailed**

93EP0146A Warsaw ZYCIE GOSPODARCZE in Polish No 51-52, 20-27 Dec 92 p 8

[Article by Z.G.: "Report on the Progress of Privatization: Successes, Barriers, and Threats"]

[Text] During the past two years, to 30 September 1992, ownership transformations completed by the Ministry of Ownership Transformations and by founding organs affected almost one-fourth of the total number of state enterprises registered in 1990—1,875 companies. Ownership transformations were also accomplished by the

Agency for Farm Property of the State Treasury, the Ministry of Finance, the Ministry of Foreign Economic Cooperation, and county governments.

It can be estimated that more than 2,100 state enterprises and approximately 15-20 percent of communal property were affected by these ownership transformations. At the same time, preparation of privatization projects began in hundreds of other state and communal enterprises. The degree of advancement varies from introductory discussions to finishing property appraisal and registration of the corporation interested in taking over the property on a rental basis.

In 1990-92, the Ministry of Ownership Transformations and other agencies began some large privatization programs. The most significant ones are:

- A proposal for general privatization (affecting 600 State Treasury corporations, important to the Polish economy.

- Proposals for the privatization of selected sectors (a total of more than 20 branches, about 450 enterprises and State Treasury corporations, approximately 500,000 employed, and property worth 180 trillion zlotys [Z]).
- A proposal for transformation of the state agricultural sector (affecting about 1,500 enterprises, 18 percent of farmland, about 400,000 employed, more than 4.3 million apartments, and property worth more than Z100 trillion).
- A reprivatization program (the amount of claims is estimated in the range of Z2,500 trillion).
- A banks privatization program, affecting eight state commercial banks.
- Proposals for privatization of the foreign trade centers.
- A restructuring program for State Treasury corporations through managerial contracts.
- A program to build the base for a stock market. With the realization of this program, the stock market and the Commission of Security Bonds were created and became independent; as a result, a secondary securities market was established.

The period 1990-92 was one of intensive creation of the legal bases for privatization, reprivatization, and the capital market. The most important bills accepted by the parliament were the bill on the privatization of state enterprises, the bill on public circulation of securities and trust funds, the bill on the administration of agricultural property of the State Treasury (and changes in selected laws, prepared together with the Ministry of Agriculture and the Food Industry). Drafts for laws on general privatization and reprivatization were also addressed to the Sejm. In 1992, a detailed amendment to the law on the privatization of state enterprises, prepared in 1992 and at present expanded by the determinations of the so-called pact on enterprises, will be sent to the Sejm.

The privatization of state and communal enterprises and private-sector development are being held simultaneously.

#### The Private Sector

In the period 31 December 1989 to 30 June 1992, the number of local private corporations increased from 15,200 to 54,300; the number of enterprises owned by natural persons increased from 813,400 to 1.5324 million; the number of corporations with foreign capital shareholdings increased from 429 to 7,648, and the number of cooperatives with foreign capital shareholdings increased from 16,600 to 18,100. The employment rate in the private sector in June 1992 outnumbered the employment rate in the state sector and was 56.6 percent of the employed, or 8.9 million people, including 4.9 million people employed outside the agricultural sector. The share of the private sector in the gross national product is also increasing systematically. In 1991, it was already 45.3 percent (in stable prices from 1990). In export, the share of the private sector increased from 4.9 percent in 1990 to 21.9 percent in 1991.

The development of the private sector in individual branches of the economy (other than agriculture) was uneven. In the first half of 1992, the share of this sector in income from economic activities was 12.2 percent in industry, 42 percent in the construction industry, and 79.1 percent in trade.

The share of the private sector in the gross financial burden is disturbingly low. In 1991, it was only 6 percent, while the share of income was 26 percent, and the share of the gross national product was 45.3 percent. In the first half of 1992, the average share of gross financial burden in total income was 4.2 percent for the whole economy; for the state sector it was 5.7 percent, and for the private sector 1.05 percent.

Regardless of how development in the private sector is evaluated, if the speed of the privatization of the state sector and the development of the private sector is kept on the level of 1991-92, the state sector would be reduced by a half in two to three years; the critical volume in the economy would be exceeded, and the private sector would outbalance the state sector.

#### Differential Speed of Transformation

The speed of privatization of state enterprises varied in 1990-92. The best rate was recorded in 1991. The Ministry of Ownership Transformations, by virtue of Articles 5 and 6 of the bill on the privatization of state enterprises, transformed 245 enterprises into one-man corporations of the State Treasury. Under liquidation privatization (Article 37 of this bill), the Ministry of Ownership Transformations accepted 397 proposals. Under Article 19 of the bill on the privatization of state enterprises, 518 enterprises were transformed. In 1991, 27 capital transactions were signed, nine of them by public offer.

In 1992, the rate of privatization was clearly slower, especially in the second quarter. It was the case not only for capital privatization but also for liquidation privatization, the most efficient until now. In the second half of 1992, this tendency was reversed. Consequently, the results of 1992's privatization will be worse than in 1991.

During the first three quarters, 170 enterprises were transformed into one-man corporations of the State Treasury; however, the decision about the fate of 119 enterprises qualified to the general privatization program had been made in 1991. In the first three quarters, 43 new proposals came to the Ministry of Ownership Transformations. Under Article 37, the Minister of Ownership Transformations accepted 215 proposals until 7 November 1992; under Article 19, he accepted 261 proposals. During the three first quarters of 1992, 18 capital transactions were signed, 12 in the third quarter. Of all of these transactions, only one was accomplished via public offer.

In quantity, the results of this year will be close to the results from the previous year. But the income will be two to two and a half times higher. In 1992, the goals of

privatization published in "The Directions of Privatization in 1992," which assumed that the quantity will be similar to that in 1991 and the income higher, will not be reached.

### The Conditions of Privatization

The rate of privatization that has been attained is therefore not satisfying. This is so for the following reasons:

First, privatization has been accomplished in conditions of recession and economic collapse of a large number of enterprises. In enterprises that balance on the verge of bankruptcy, the problems of privatization are only of secondary importance. These enterprises fight for survival and must face internal conflicts and social pressures. Eight hundred decisions on liquidation for economic reasons have already been made. As a result, there is a large supply of production property on the market, overwhelming the market's capacity. From the point of view of privatization, the recession, the general decrease in profitability of all enterprises, and the fact that more than 40 percent of enterprises are balancing on the verge of bankruptcy have serious financial consequences. The market value of the great majority of privatized enterprises has decreased, and their economic attractiveness to local and foreign investors has dropped. This leads to a decrease in income from capital and liquidation privatizations. The market decides about the amount of money in the transaction and dictates the prices.

Second, during the second half of 1991, and especially during the first half of 1992, state enterprises began getting contradictory economic signals. Privatization was still officially supported, but there were more and more statements, more or less official, on the necessity of redefinition of state policy toward state enterprises, including the necessity to relieve their debts and ease the financial system and to establish a more definite structural and ownership policy. In this situation, a significant number of enterprises decided to stop privatization plans, waiting for more attractive solutions. At the same time, the economic motivation that attracted enterprises to commercialization have weakened.

Especially discouraging was the easing of dividend amounts without an analogical easing of interest rates on share capital in one-man corporations of the State Treasury.

Third, during the period discussed above, the social obstacles to privatization increased: lack of trust; opposition to, and blockage of, privatization; and localism. These obstacles occur particularly in those enterprises that experience economic difficulties. The worsening climate around the privatization itself—the growing criticism, the accusations—was a spectacular manifestation of this. The controls, especially by the Supreme Chamber of Control, which increased at that time, were an answer to the criticism. They paralyzed the preparation of privatization plans by founding organs and by the enterprises themselves. Privatization also became a subject of political games in the parliament, which only increased this tendency.

Fourth, the interest of local and foreign investors in privatization was and still is smaller than was expected. Poland is still a country of high risk, and the risk was estimated to be higher in 1992 than in 1991. Also, the willingness of local entrepreneurs to make investments is relatively low, especially if one takes under consideration the dynamic development of the private sector and increased links to foreign assets. The participation of Polish managers in privatization is also disappointing. The reason for this is, on the one hand, the lack of strong social approval, and, on the other, the lack of specific solutions financially supporting management proposals. The program of managers' contracts proposed by the Ministry of Ownership Transformations still does not have a broad enough reach.

Fifth, the parliament has for a long time failed to resolve many of the key problems of privatization. The government directed a draft of a bill on privatization one and a half years ago (the deputy's proposal being examined right now is a renewed announcement of that draft). At that same time, the government directed to the parliament a program of general privatization. The lack of final decisions on these two basic issues will seriously complicate the realization of the privatization program and will lead to waste of forces and resources. The legislative blocs have a much greater range and touch many specific problems. A very important debate for privatization, over an amendment to the law on the administration of land and the expropriation of property, took two years and is still not finished.

Sixth, many legal obstacles were revealed while individual privatization projects were being carried out. In their new amendment to the privatization law, the Ministry of Ownership Transformations will propose the liquidation of these obstacles.

Seventh, the size and ability of the operational apparatus of the Ministry of Ownership Transformations and of founding organs are insufficient. This plus a lack of experience and work under pressure has led to certain errors pointed out by the Supreme Chamber of Control. The reports from the Supreme Chamber of Control became a subject of public debate. The course of the debate seriously complicated the realization of privatization. The ministry drew some conclusions from these errors and took preventive action.

### Income and Expenditures

The above-mentioned complications meant that the plan for income from privatization in 1992, originally planned in the 1992 budget, could not be achieved. The current calculated (according to the budget law) sum of Z4 trillion (even this is much higher than the income in 1991) will come into the budget along with a simultaneous decrease—greater than expected—in expenditures connected with privatization. The relationship between income and expenditures is advantageous, particularly if one considers that part of the expenses is not directly related to the capital privatization conducted by the Ministry of Ownership Transformations and is designated for

general purposes (among others, for support of privatization being conducted by voivodes and ministers of the various industries). After three quarters, expenses are less than 7 percent of income, a relationship more advantageous than last year, and will remain so at the end of the year, as well.

In 1992, the contradiction between pressure to expand the scope of preferences for domestic investors and corporations with employee participation and the effort to maximize budgetary income from privatization was more evident than in previous years. In 1993, that contradiction will strengthen, in connection with new solutions contained in the pact on state enterprises, especially since those solutions might limit the interest of foreign investors.

The methodology of planning income from privatization in the state budget and taking into account the level of risk in completing privatization transactions are separate questions.

**\* Bugaj Discusses Future of Union of Labor**

93EP0162A Warsaw RZECZPOSPOLITA in Polish  
23-24 Jan 93 p 2

[Interview with Ryszard Bugaj, leader of Union of Labor, by Eliza Olczyk; place and date not given: "Let's Accept Honest People"]

[Text] [Olczyk] The Union of Labor seems to have 8,000 members. At least that is the figure the press office gave on the eve of the first national Union of Labor congress. Isn't that estimate overly optimistic?

[Bugaj] Let us say that 7,000 members is a more realistic figure. We will take a more exact count during the congress.

[Olczyk] For Poland, then, you are quite a large party, although you are not very well represented in parliament.

[Bugaj] We came into being the year following the elections, so it is hard to blame us for not having many members in parliament. In the public opinion polls, on the other hand, we are gaining in popularity more quickly than we had anticipated. Whether this trend will continue, we cannot say, but we are full of optimism.

The fact is that a large representation in the parliament increases the probability of being in parliament during the next term. From the polls, though, it should not be all that difficult for us to reach the required 5-percent minimum.

As a footnote, let me add that to have rules setting a minimum of 5 percent is a political swindle in Poland, one with incalculable consequences. For the committee to establish such a minimum is absolutely absurd. Right away they began to wonder what would happen if nobody reached that minimum.

[Olczyk] What will the congress bring, other than new officials who are no longer temporary ones?

[Bugaj] We are going to be discussing two key documents. The first is a sort of platform declaration, in which we raise

socioeconomic, political, and foreign problems. The second document concerns the present economic situation. In it we are presenting postulates on current economic policy.

We are also expecting the new Union of Labor officials to be charged with drafting a large platform document in a few months. It will not be for the broad public but for us alone and for the "reading public." If it works out for us to do something practical, we will not want to find ourselves in the same situation as that of former governments, which have spent the first three months looking around and building the basic elements of a platform. That does not make sense. If somebody is really serious about running for office to be in power—that is what every party is trying to do, one way or another—that person should have a drawer full of things, to be able to pull out something, if need be.

[Olczyk] One could wait a rather long time for the possibility of putting one's own platform into practice. In the meantime, won't the document go out of date?

[Bugaj] It is obvious that a concrete platform has to be constantly updated. The situation changes very quickly, so in the document we are adopting at the congress we are addressing only the ongoing problems, such as monetary policy and the tax system.

Getting back to the congress, we are not limiting ourselves to the economy. The issue of the state's having a neutral world outlook will probably be the subject of heated discussion. Most of us feel that this neutrality is being threatened.

It is true that we are far from being in a panic. We do not assume that we should embrace literally the same standards in Poland as those adopted in France, for example, with its long libertarian tradition. We have to take into account the fact of the Catholic totality of Poland.

I think that we should go along with the church on some issues. One area in which I would be glad to do this, for example, is the problem of restricting the circulation of pornography to institutions that are in some way closed. I am against prohibiting pornography, but the present situation, where pornographic newspapers are stacked in the kiosks right next to periodicals with the pope can offend some people, and we have to respect that.

The relationship to postcommunist groups will also be very important. I hope that the congress will confirm the previous position, which can be summed up in the statement that all honest people can come to us, provided their biographies do not contain elements that would keep them out. But I doubt that the congress will decide to cooperate with the structures of postcommunist parties.

[Olczyk] The Union of Labor is a boring party. You do not dazzle the crowds with any fireworks on the political scene. Can such a boring party gain a broader group of voters?

[Bugaj] That is a dilemma. Since nobody is accused of theft, it is hard to make the front page of the newspapers. If a person is not Anastazja P's hero, then people talk less



about that person, even though Zbyszek Bujak was mentioned, and so was Miss Ziolkowska.

Zbyszek Bujak claims that he actually did joke with Anastazja, but Miss Ziolkowska denies it and has forced Deputy Wrona to make the appropriate declarations in the papers, which he did. We leave this sort of action to others—either they agree and are confirmed or they do not—and then the case goes to court.

[Olczyk] But it is the party's purpose to gain as many voters as possible. In our country, on the other hand, we find a clear inclination towards groups that are, let us say, noisy.

[Bugaj] There are two models for getting seats. In the first model, the candidate says to the voters: I am at your service; elect me, and I will do what you want. In the second model, the candidate says: I think that in this country it is possible to do this, that, and the other, and if you think so too, then count on us; if not, vote for somebody else. I think it is only the second model that works in a democracy, although the logic of political battle pushes many towards the first model.

#### \* Final Issues in RSW Liquidation Viewed

93EP0159B Warsaw *RZECZPOSPOLITA* in Polish  
8 Jan 93 p 2

[Article by A.P.: "The RSW Liquidation Commission Is Finishing Up"]

[Text] The RSW ["Prasa-Ksiazka-Ruch" Workers Cooperative Publishing House] Liquidation Commission [KL] has decided to conclude its examination of the issues related to GAZETA POMORSKA and to abandon the judicial investigation to restore its title. The commission also passed the proposal of a modified agreement with the Czytelnik Publishing Cooperative.

The commission likewise decided to announce an auction for investment in the Press House in Olsztyn (along with the right to own the land) and the printing equipment of

the PZG [State Printing Plants] on Smolna Street in Warsaw, and, due to a lack of offers, to transfer the building in Zielona Gora to the State Treasury.

In November 1990, the Liquidation Commission made a gratis transfer of GAZETA POMORSKA to the Journalists and Publishers Cooperative, under the condition that the cooperative, together with the Pomorze SPW [Publishers Cooperative], open the Kujawy/Pomorze Journalists-Publishers Cooperative. After a year, these cooperatives were released by the RSW KL from the obligation to remain in the company, and the company was placed in a state of liquidation. However, in September of last year, the KL, under the chairmanship of Jacek Hofman, attempted to regain GAZETA POMORSKA, terminating the 1990 agreement. This attempt did not succeed and the new chairman of the KL, Tomasz Kwiecinski, did not continue the course of his predecessor, who even wanted to have the law on the liquidation of the RSW "Prasa-Ksiazka-Ruch" amended so as to take over the newspaper titles for these journalists' cooperatives, which would transfer them to other publishers. According to a communique after the last meeting of the RSW KL, there will be no court case on the restoration of GAZETA POMORSKA.

The quarrel with the Czytelnik Publishers Cooperative is even more complex. The vice president of this cooperative recently announced that he would go to court to have all the assets once held by the RSW restored. In a modified agreement, the KL proposed that the buildings in Warsaw on Wiejska Street and Plac Trzech Krzyzy, as well as the building on Grunwald Street in Poznan, be transferred to Czytelnik in exchange for the dropping of remaining claims by the cooperative. In addition, Czytelnik is to pay approximately 700 million zlotys in settlements. In the former agreement from 11 October 1990, CZYTELNIK was also guaranteed no less than 20 percent of shares in the companies arising for the purpose of publishing the six titles formerly published by Czytelnik. However, in practice it turned out that this agreement is impossible to implement. It is not known how Czytelnik will react to the newly proposed agreement.